



**Advisory Council on Small Business and Agriculture  
Federal Reserve Bank of New York  
10<sup>th</sup> Floor, Paul Volcker Boardroom  
Monday, March 25, 2019**

**AGENDA**

---

- 10:30 a.m. Welcome, Claire Kramer Mills, Chair & Assistant Vice President
- 10:40 a.m. - 11:00 a.m. The National Economy, Tom Klitgaard, Vice President
- 11:00 a.m. - 11:20 a.m. International Update, Matthew Higgins, Vice President
- 11:20 a.m. - 11:40 a.m. Regional Update, Jaison Abel, Assistant Vice President
- 11:40 a.m. - 12:00 p.m. Facilitated Discussion, Claire Kramer Mills, Chair & Assistant Vice President
- 12:00 p.m. Adjourn to NWC Room-10F
- 12:15 p.m. Lunch
- 12:15 p.m. - 1:15 p.m. Round Table Discussion with John Williams, President and CEO

*Introductory Remarks and Welcome from President Williams*

*Group Discussion*

Your experiences provide insight into current economic conditions. ***In considering each question, please reflect on the experiences of your firm, firms of similar size, and firms in your industry. Please provide a rationale for each answer.***

**Sales**

Have sales volumes increased, decreased, or stayed the same in the first quarter of 2019?

What are your expectations for the first half of 2019?

**Investment**

Has investment (e.g. plant, equipment, technology) increased, decreased, or stayed the same in the first quarter of 2019?

What are your expectations for the first half of 2019?

**Employment**

Has employment increased, decreased, or stayed the same in the first quarter of 2019?

Have you faced any recent labor shortages that have limited the ability to meet demand? Please explain.

What are your employment expectations for the first half of 2019?



**Advisory Council on Small Business and Agriculture  
Federal Reserve Bank of New York  
10<sup>th</sup> Floor, Paul Volcker Boardroom  
Monday, March 25, 2019**

**Prices**

Have input prices increased, decreased, or stayed the same in the first quarter of 2019?

What are your expectations for the first half of 2019?

Have prices of products/services sold increased, decreased, or stayed the same in the first quarter of 2019?

Do you expect prices of products/services sold to increase in the first half of 2019?

**Financing Conditions**

Over the past two quarters, please describe the financing conditions for firms of your size and in your industry.

How have the terms and conditions for obtaining financing changed (tightened, eased, not changed)?

**Outlook**

What is the most significant business opportunity you see in 2019?

What is the chief growth barrier or concern facing your firm in 2019?

1:15 p.m. - 2:00 p.m.

Fed Listens Session with John Williams, President and CEO

*Concluding Remarks from President Williams*

2:00 pm

Adjourn



**Advisory Council on Small Business and Agriculture  
Federal Reserve Bank of New York**

**Monday, March 25, 2019**

**ATTENDEE LIST**

**Council Members**

Donnel Baird  
Founder & CEO  
BlocPower

Gabriel Hernández  
Co-Founder and Head of Tax Division  
BDO Puerto Rico

Adenah Bayoh  
Founder  
Adenah Bayoh & Companies

Sarah LaFleur  
Founder & CEO  
MM.LaFleur

Jassi Chadha  
President & CEO  
Axtria, Inc.

Waleska Rivera  
President  
Danosa Caribbean, Inc.

**Federal Reserve Bank of New York**

John Williams  
Michael Strine  
Jack Gutt  
Kausar Hamdani  
Rosanne Notaro  
Tom Klitgaard  
Matthew Higgins  
Claire Kramer Mills  
Jaison Abel  
Scott Lieberman  
Edison Reyes  
Alexandra Rosen

President & CEO  
First Vice President  
EVP, Communications & Outreach  
SVP, Communications & Outreach  
VP, Legal  
VP, Research & Statistics  
VP, Research & Statistics  
AVP, Outreach & Education  
AVP, Research & Statistics  
Associate, Outreach & Education  
Associate, Outreach & Education  
Associate, Corporate Secretary



FEDERAL RESERVE BANK *of* NEW YORK

# US Macro Overview

## March 25, 2019

Thomas Klitgaard

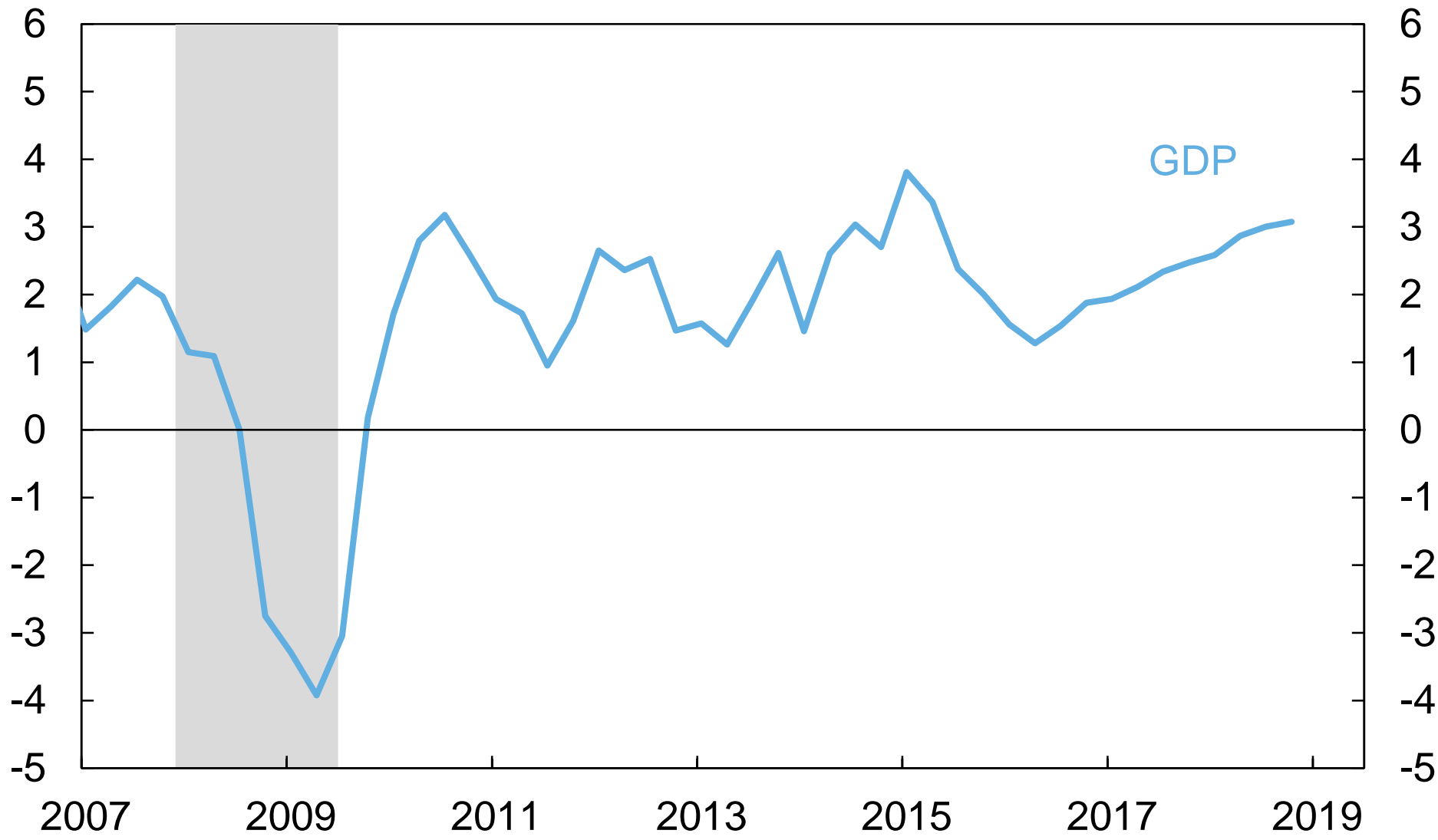
The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

# Overview

- Real GDP grew 3.1% in 2018, well above the economy's potential growth rate
  - This was a pickup from 2.5% in 2017, with government spending and an inventory buildup key sources of the faster growth
  - Labor markets tighten while the rate of increase of wages and core inflation moved higher
- Growth is expected to slow in 2019 to near 2.0%, just above the potential growth rate of around 1  $\frac{3}{4}$ %
  - In this scenario, the labor market would remain tight and there would continue to be some upward pressure on wages and prices

# GDP grew 3 percent in 2018

4 Quarter % Change



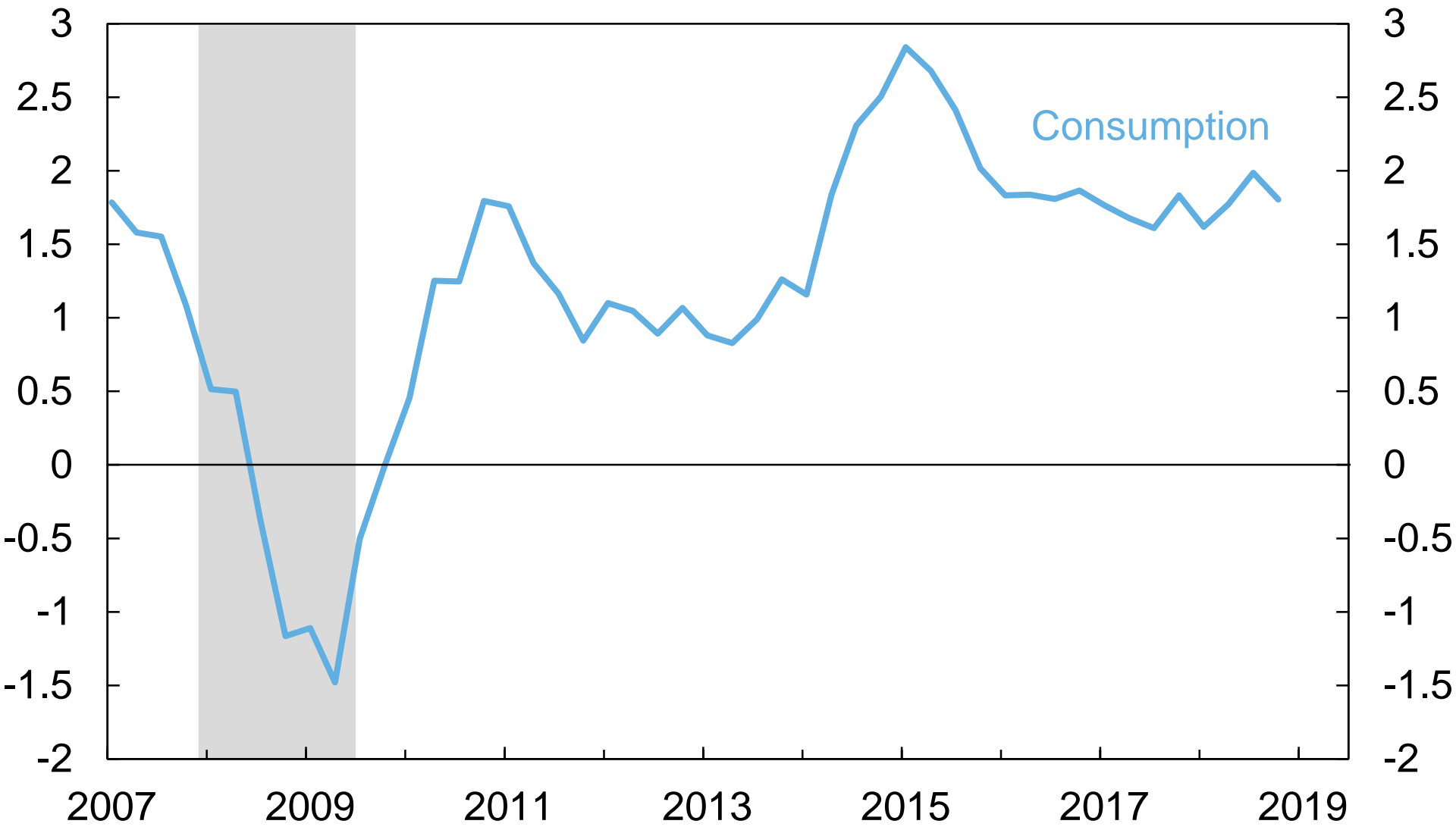
Source: Bureau of Economic Analysis

Note: Shading shows NBER recessions.

# Consumer spending growth slowed in Q4

Contribution to growth, 4-quarter avg.

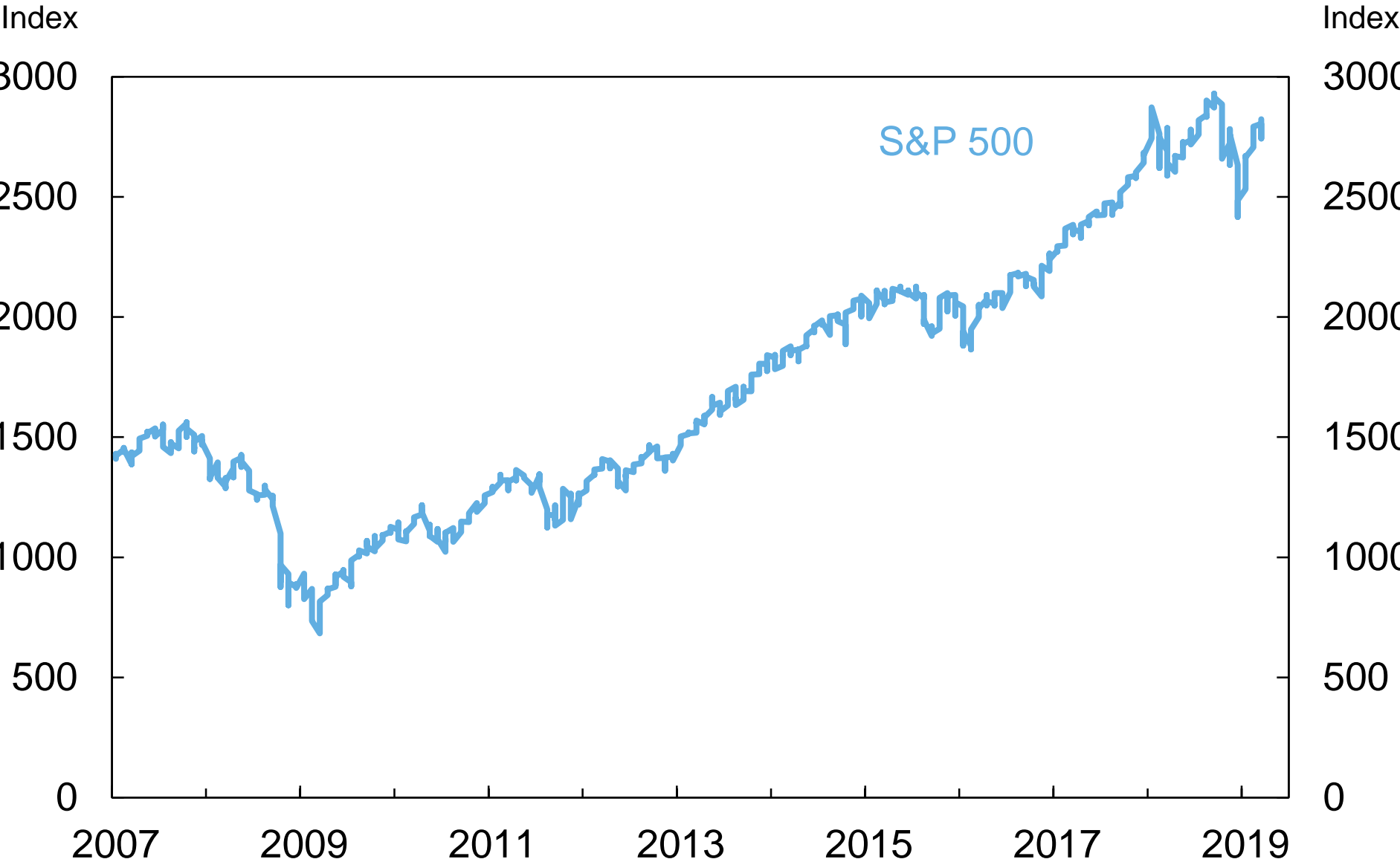
Contribution to growth, 4-quarter avg.



Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.

# Q4 consumption affected by financial markets?



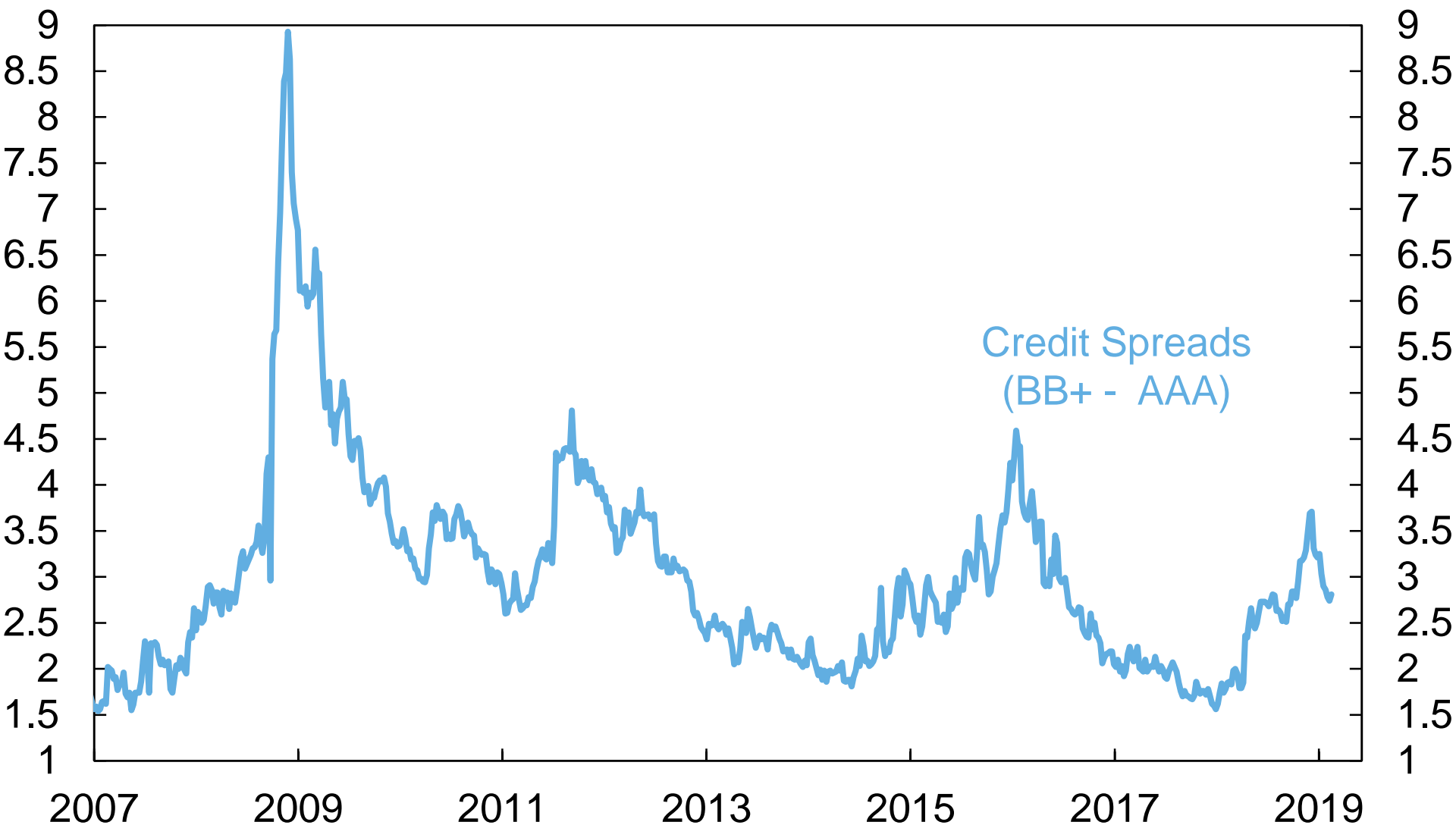
Source: Wall Street Journal via Haver Analytics.



# The financial turmoil in Q4 has diminished in Q1

Percentage Points

Percentage Points

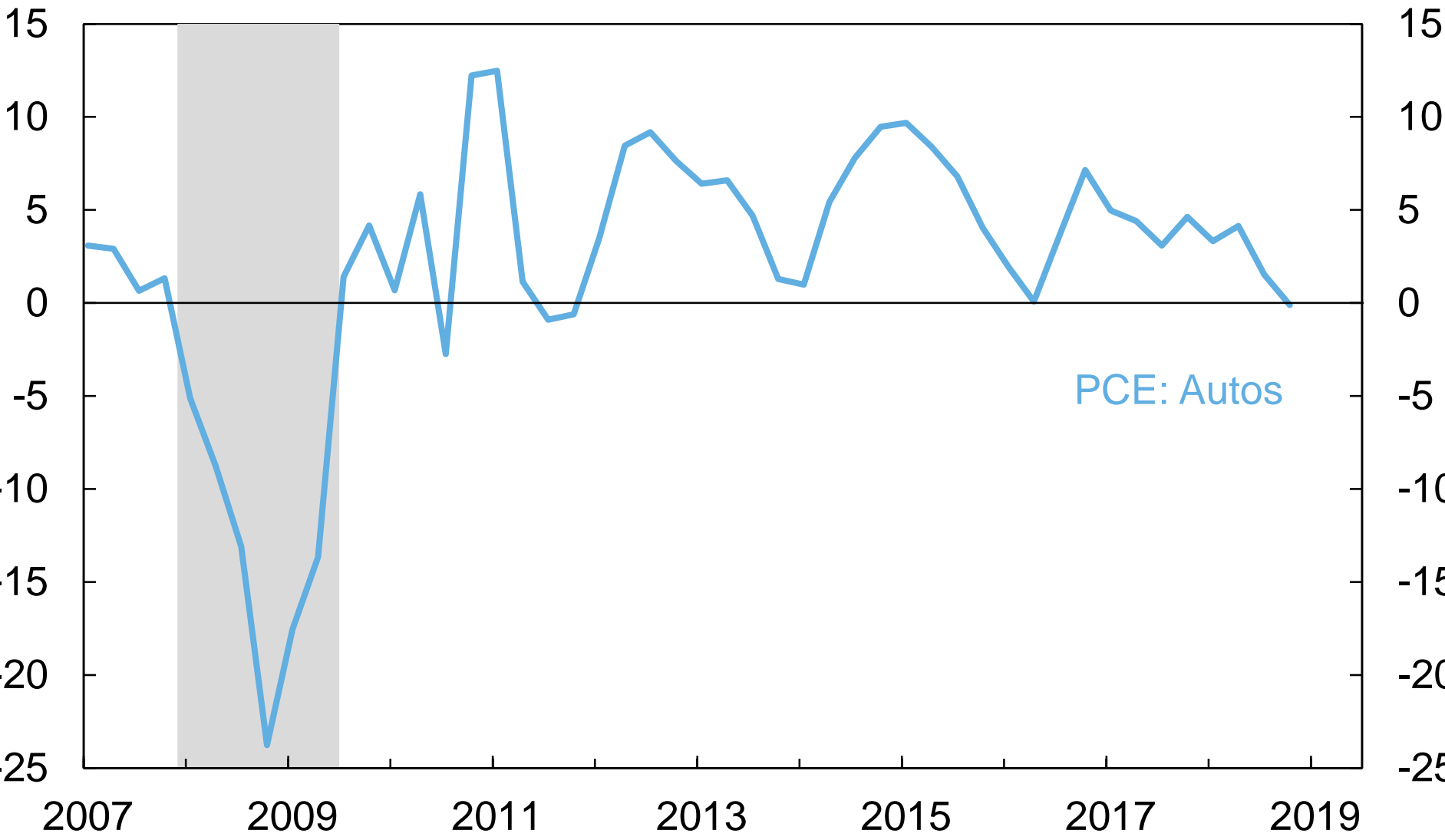


Source: Standard & Poor's Global Fixed Income Research via Haver Analytics.

# Notable weakness in durables, such as autos

4 Quarter % Change

4 Quarter % Change



PCE: Autos

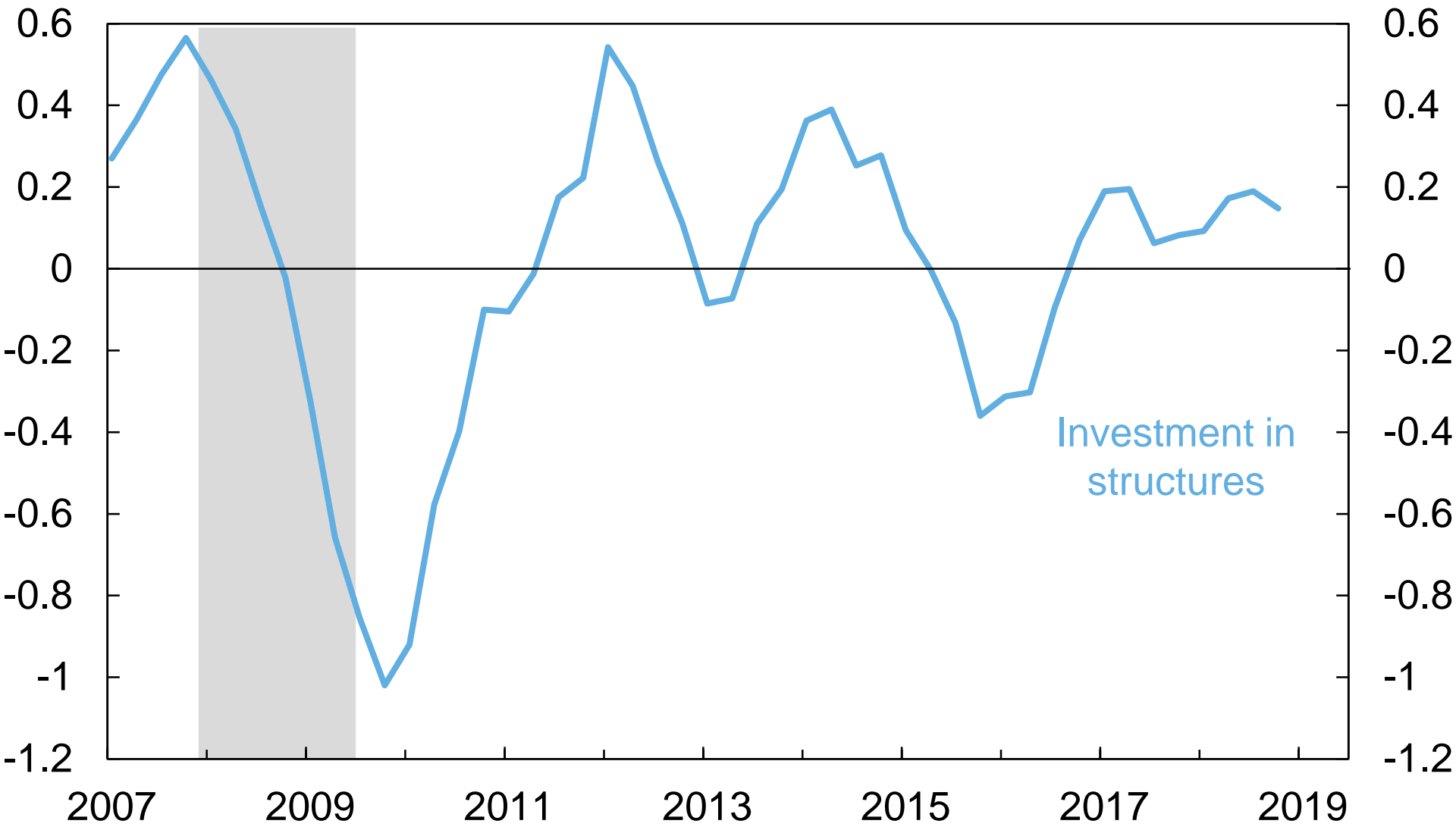
Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.

# Investment in structures recovered from the 2015-16 fall

Contribution to growth, 4-quarter avg.

Contribution to growth, 4-quarter avg.



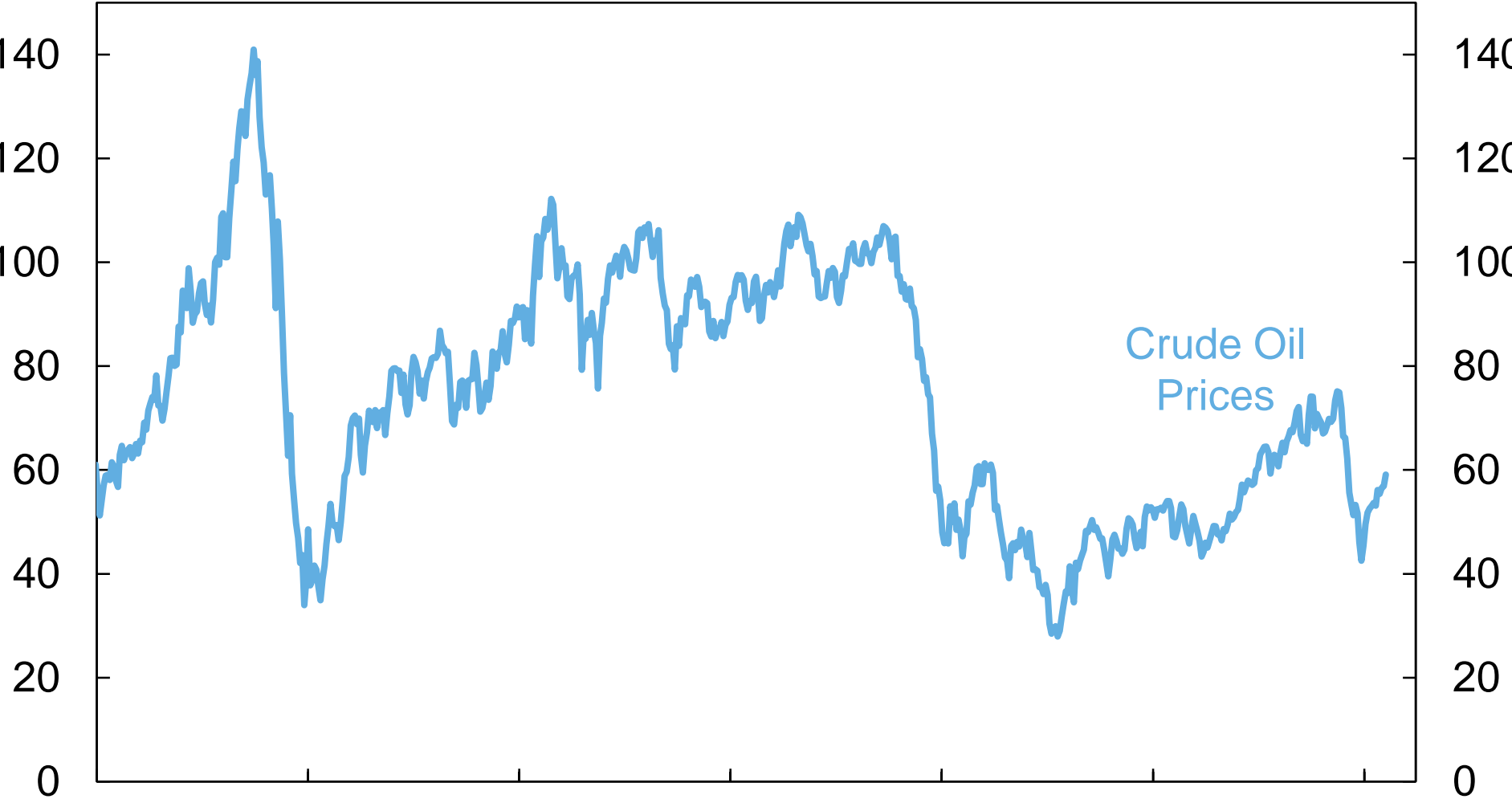
Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.

# Lower oil prices may drag structure spending down

Dollar Per Barrel

Dollar Per Barrel

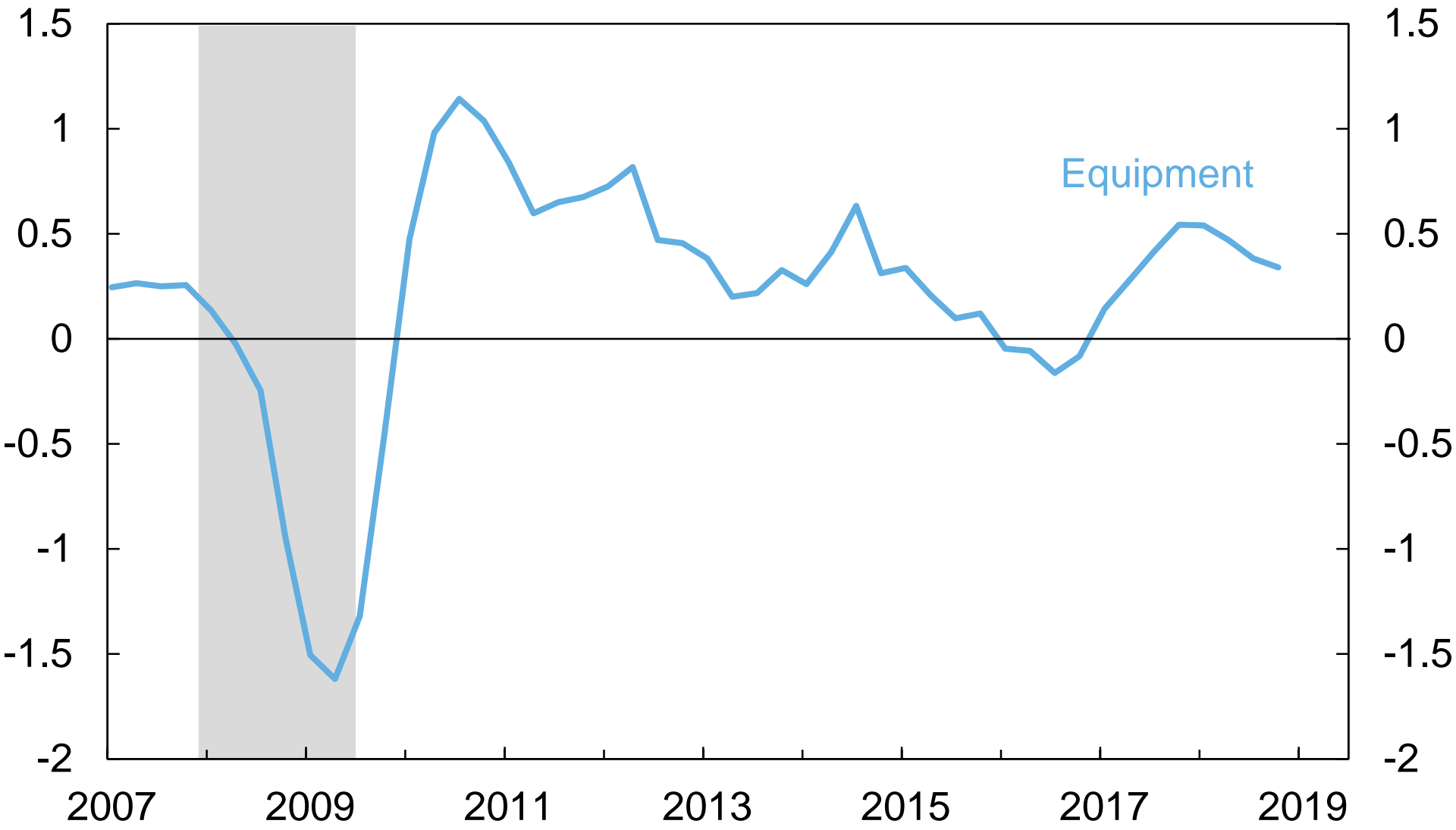


Source: WTI, EIA/Chicago Mercantile Exchange via Haver Analytics.

# Solid growth in spending on equipment

Contribution to growth, 4-quarter avg.

Contribution to growth, 4-quarter avg.



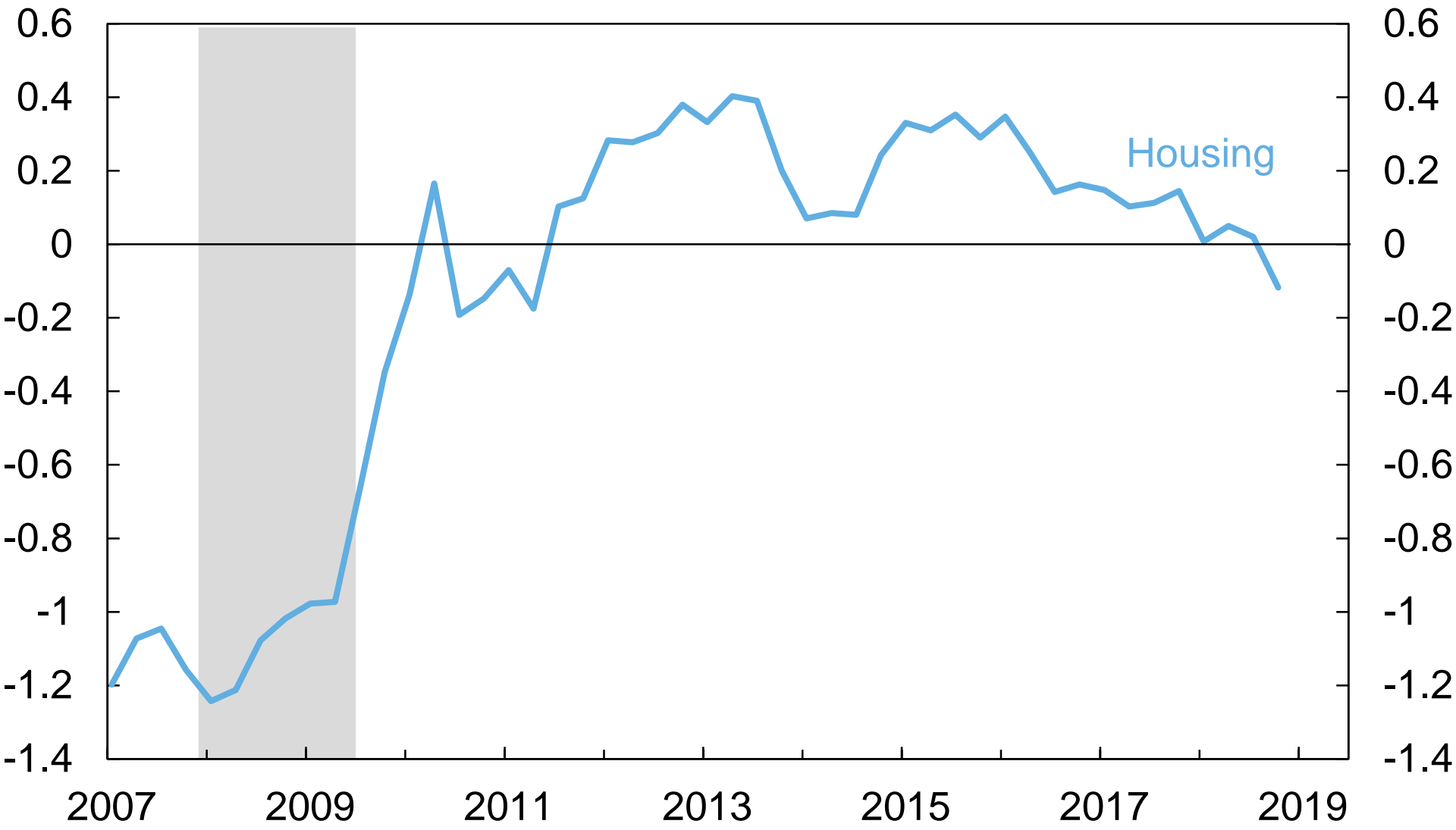
Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.

# Residential investment spending is falling

Contribution to growth, 4-quarter avg.

Contribution to growth, 4-quarter avg.

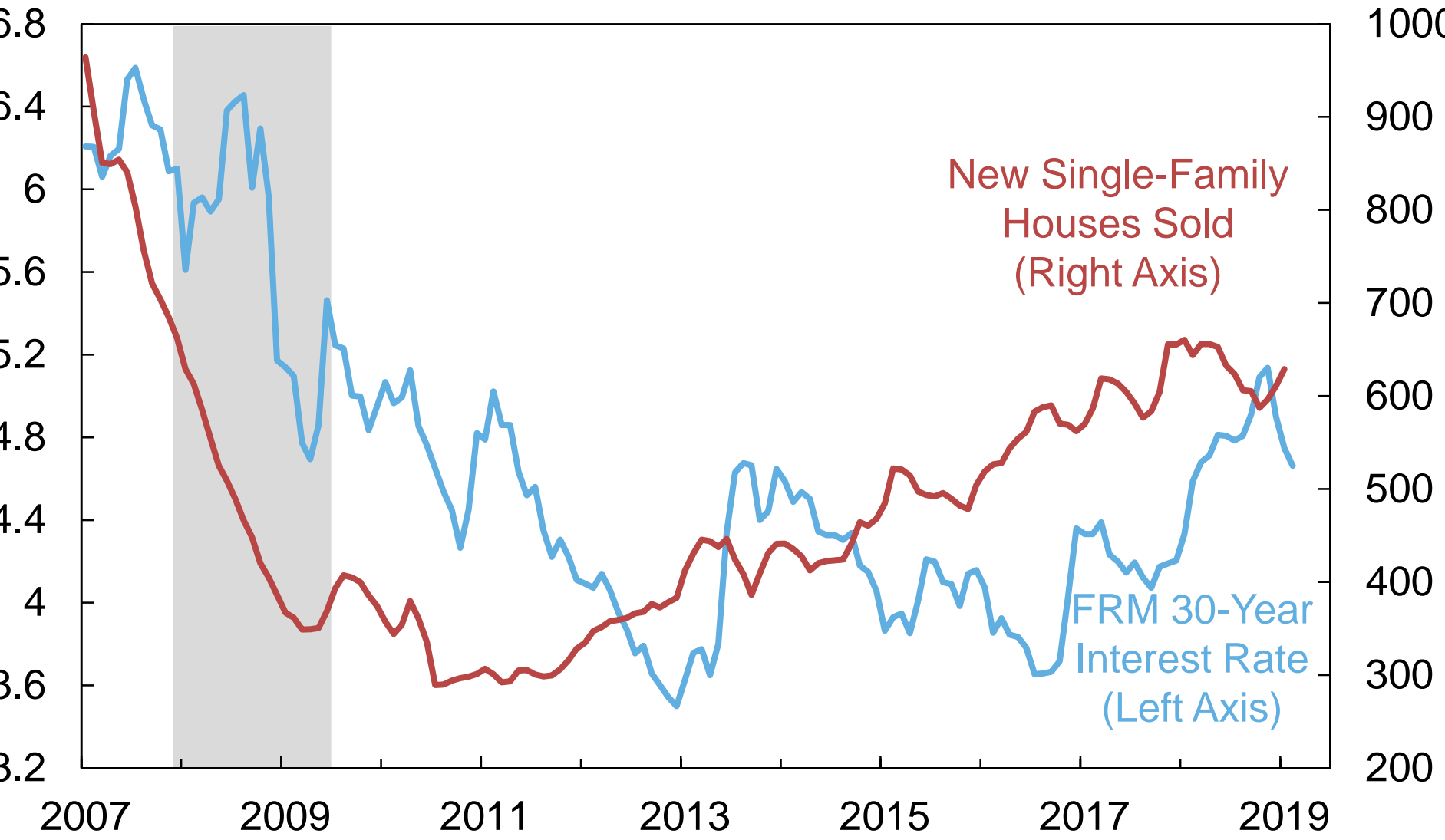


Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.

# Home sales dropped in 2018 with higher mortgage rates

% 3-month moving average SAAR, Thous.



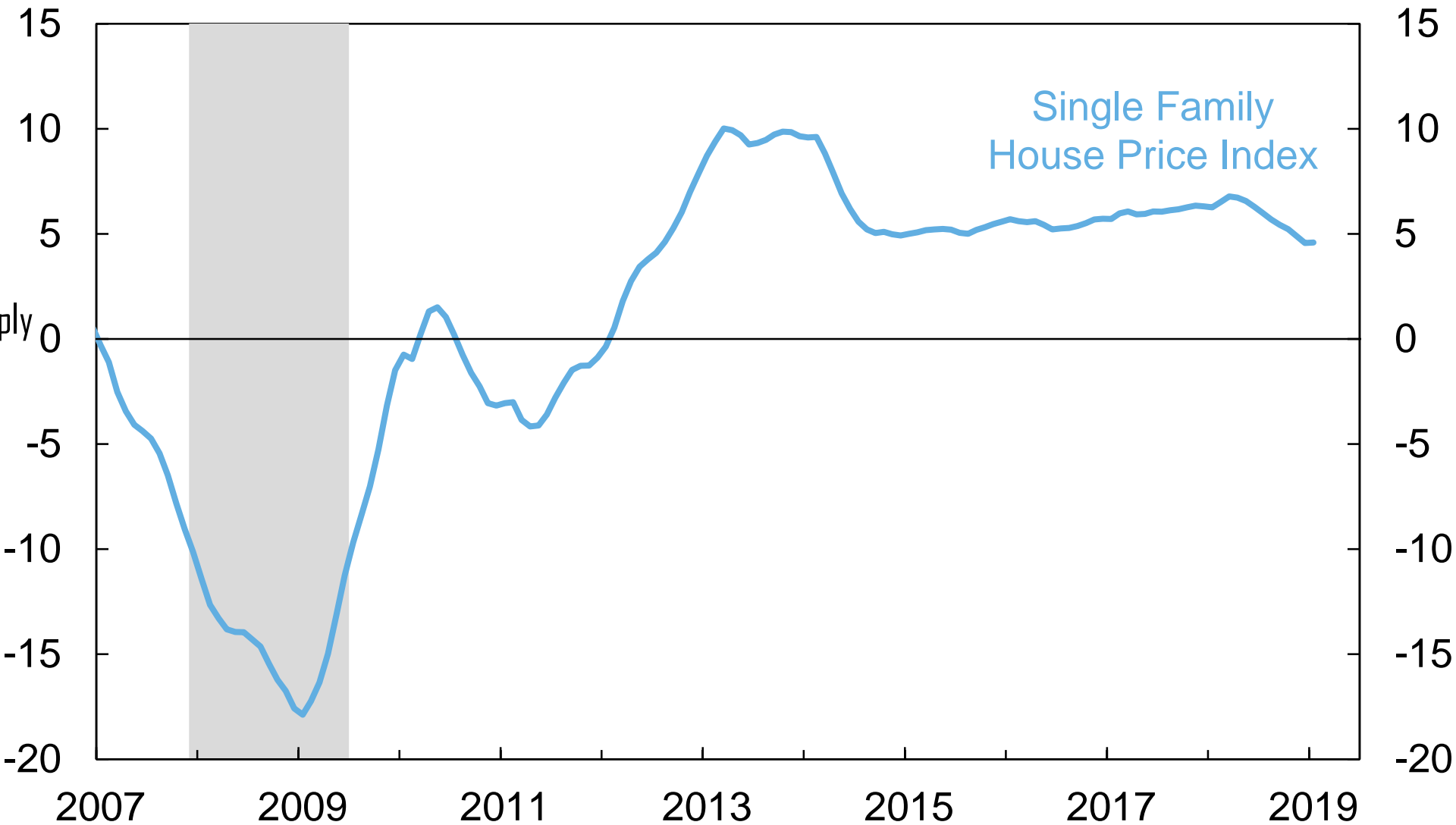
Source: Mortgage Bankers Association, US Census Bureau via Haver Analytics

Note: Shading shows NBER recessions.

# Questions of affordability

12 Month % Change

12 Month % Change



Source: CoreLogic via Haver Analytics

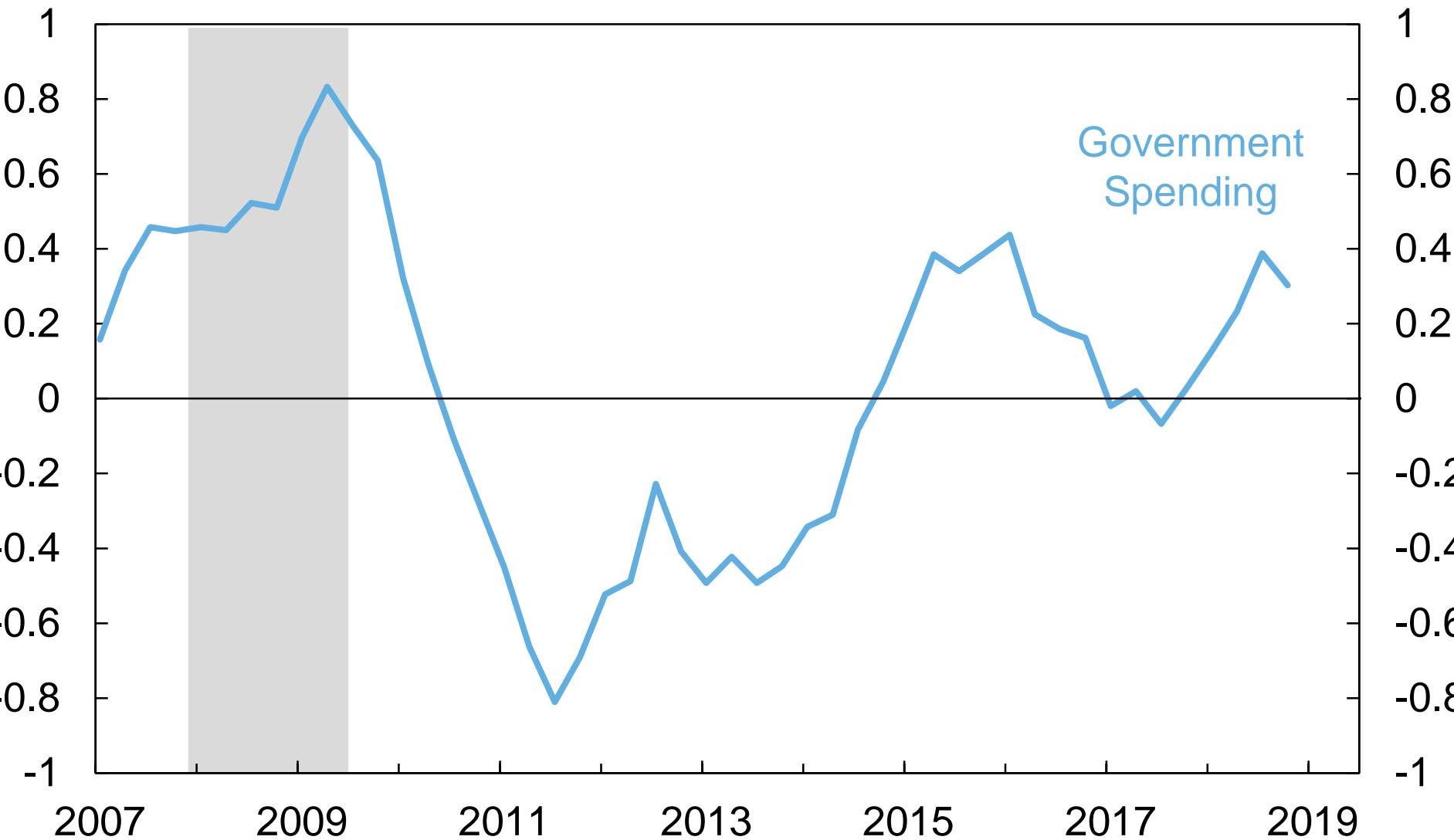
Note: Shading shows NBER recessions.



# Government spending boosted 2018 growth

Contribution to growth, 4-quarter avg.

Contribution to growth, 4-quarter avg.



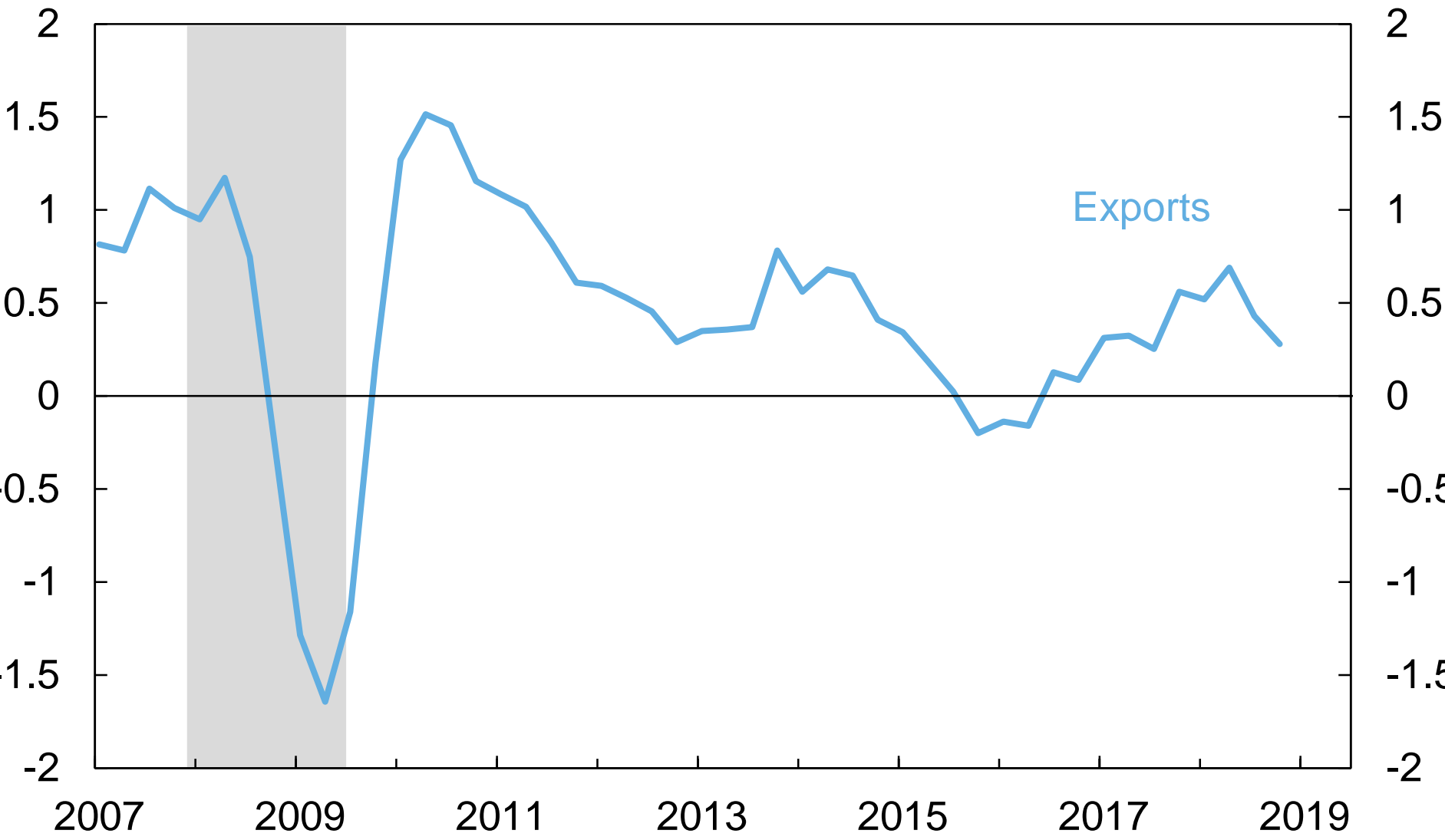
Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.

# Export growth slowed in second half of 2018

Contribution to growth, 4-quarter avg.

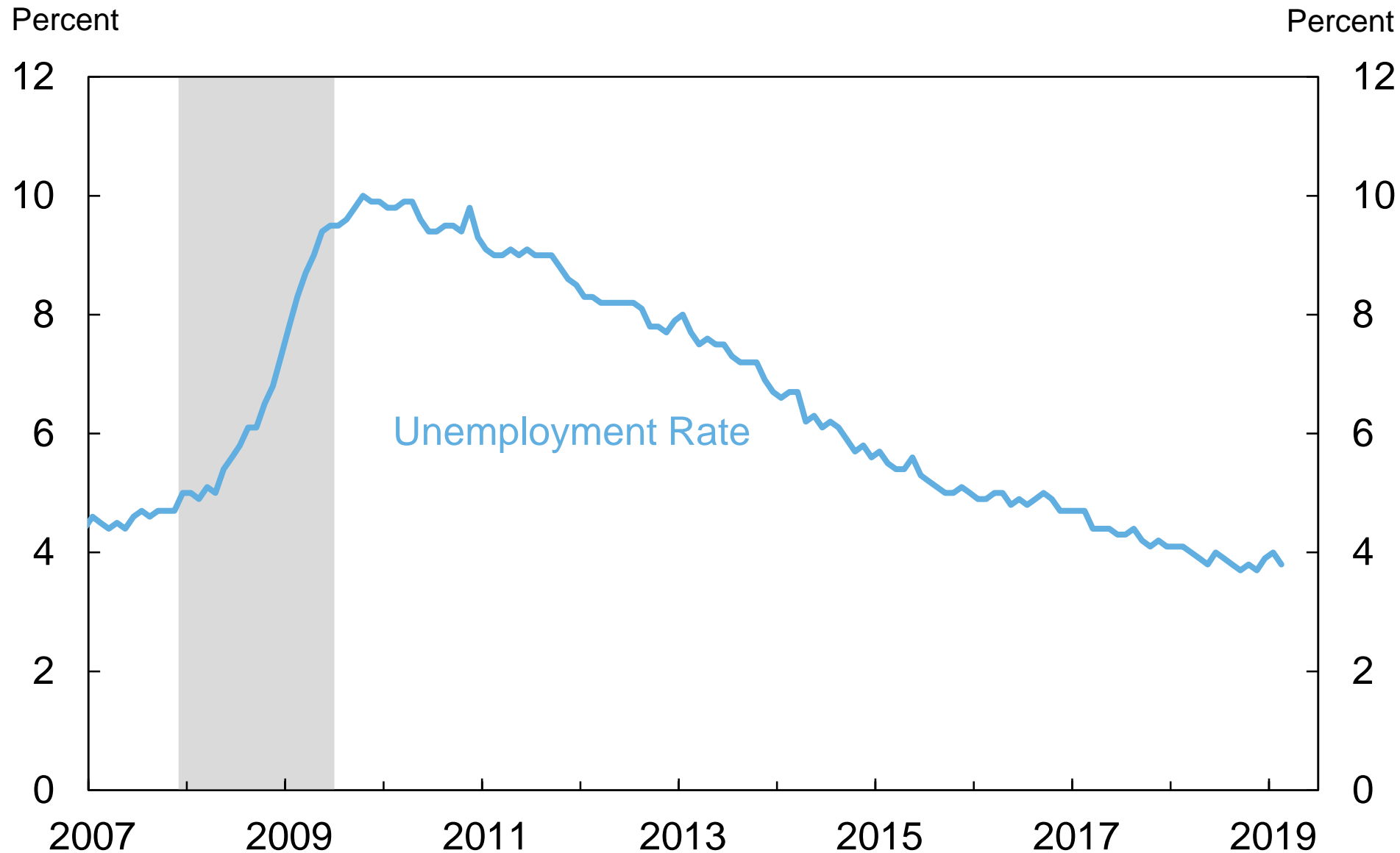
Contribution to growth, 4-quarter avg.



Source: BEA via Haver Analytics.

Note: Shading shows NBER recessions.

# The unemployment rate remains low



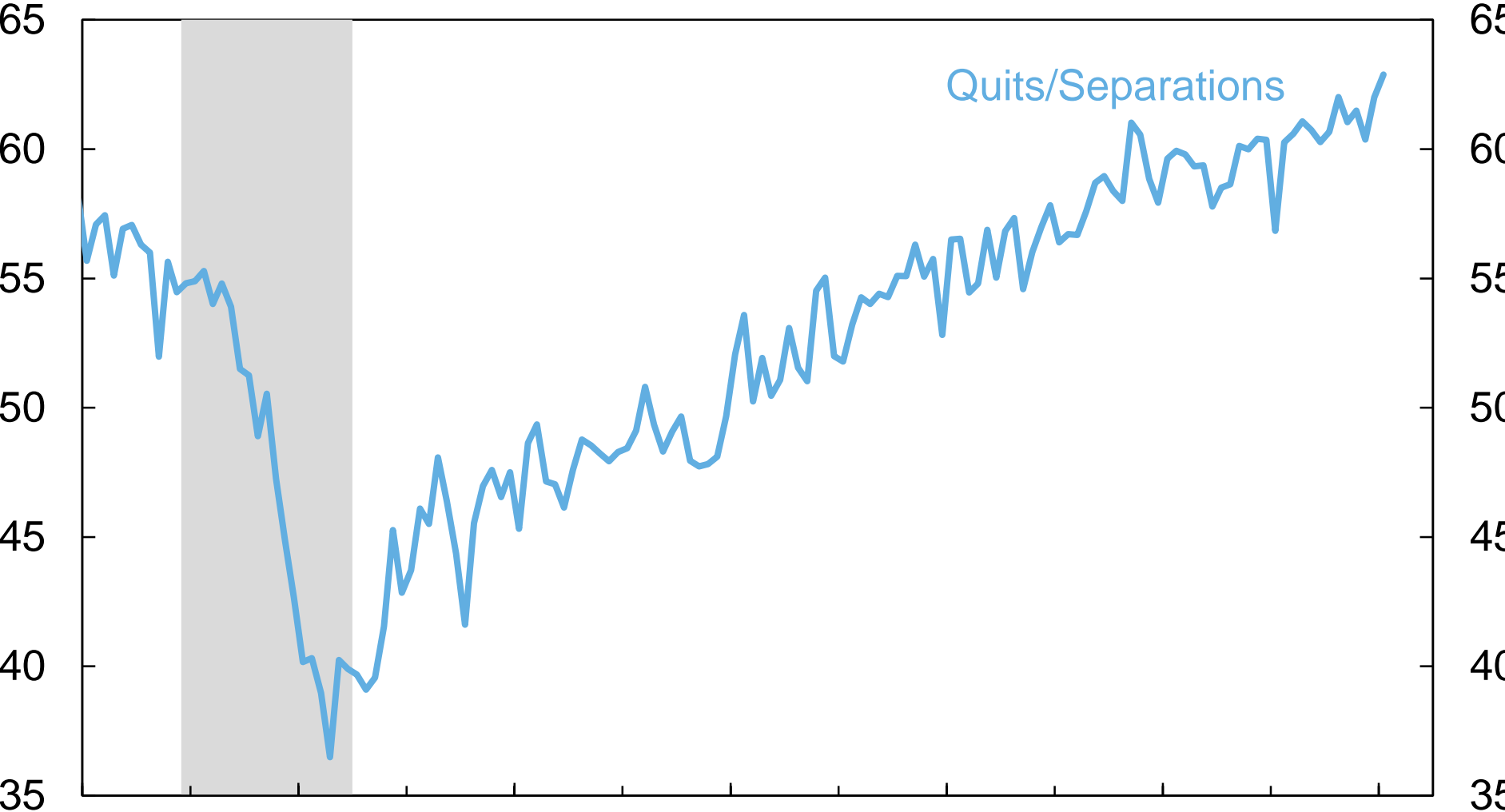
Source: Bureau of Labor Statistics  
via Haver Analytics

Note: Shading shows NBER recessions.

# Data on quits suggest a tight labor market

Percent

Percent



Quits/Separations

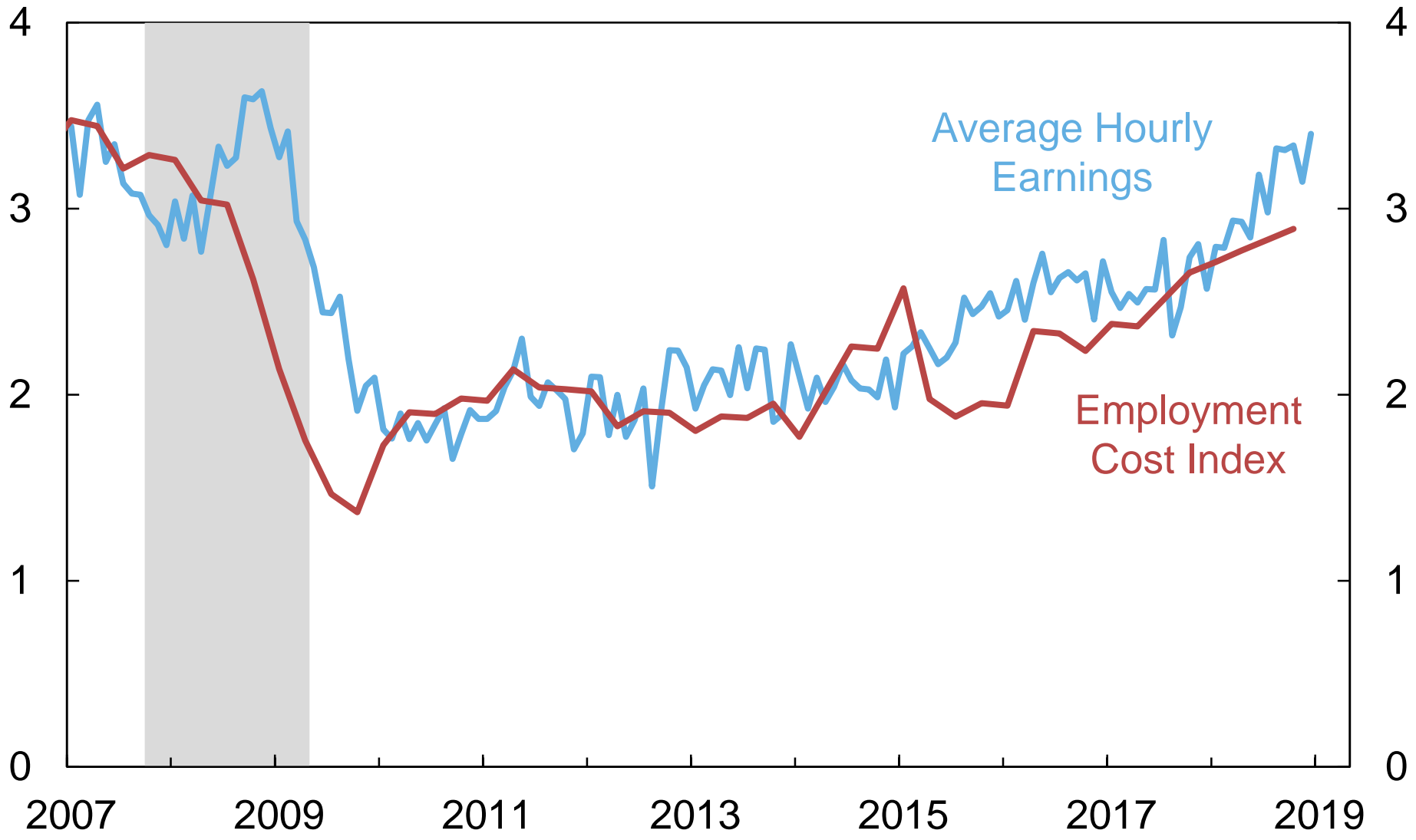
Source: Bureau of Labor Statistics

Note: Grey shading shows NBER recessions.

# Wage inflation appears to be increasing

% change over year

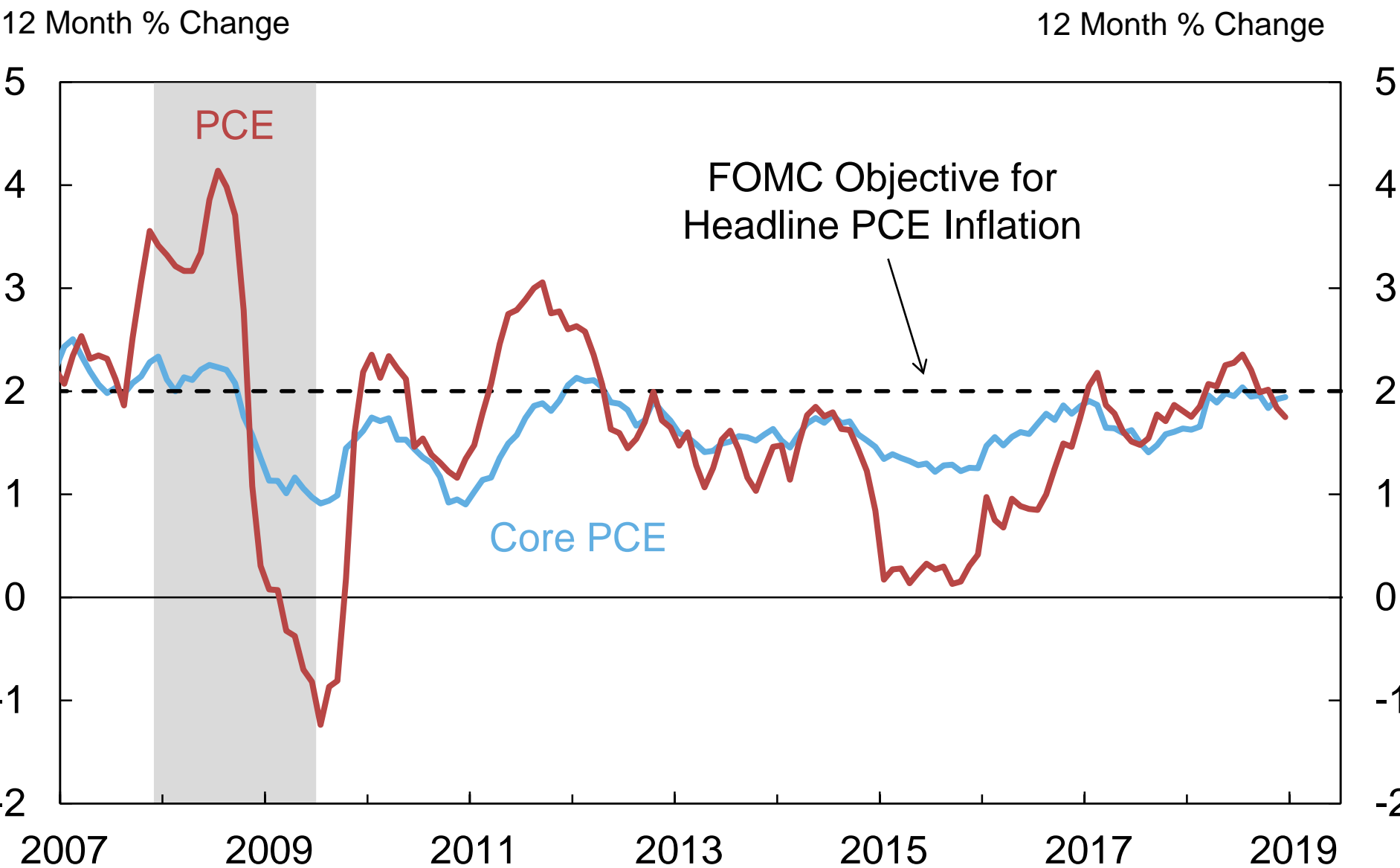
% change over year



Source: Bureau of Labor Statistics  
via Haver Analytics

Note: Shading shows NBER recessions.

# Inflation is near the FOMC Objective of 2 percent



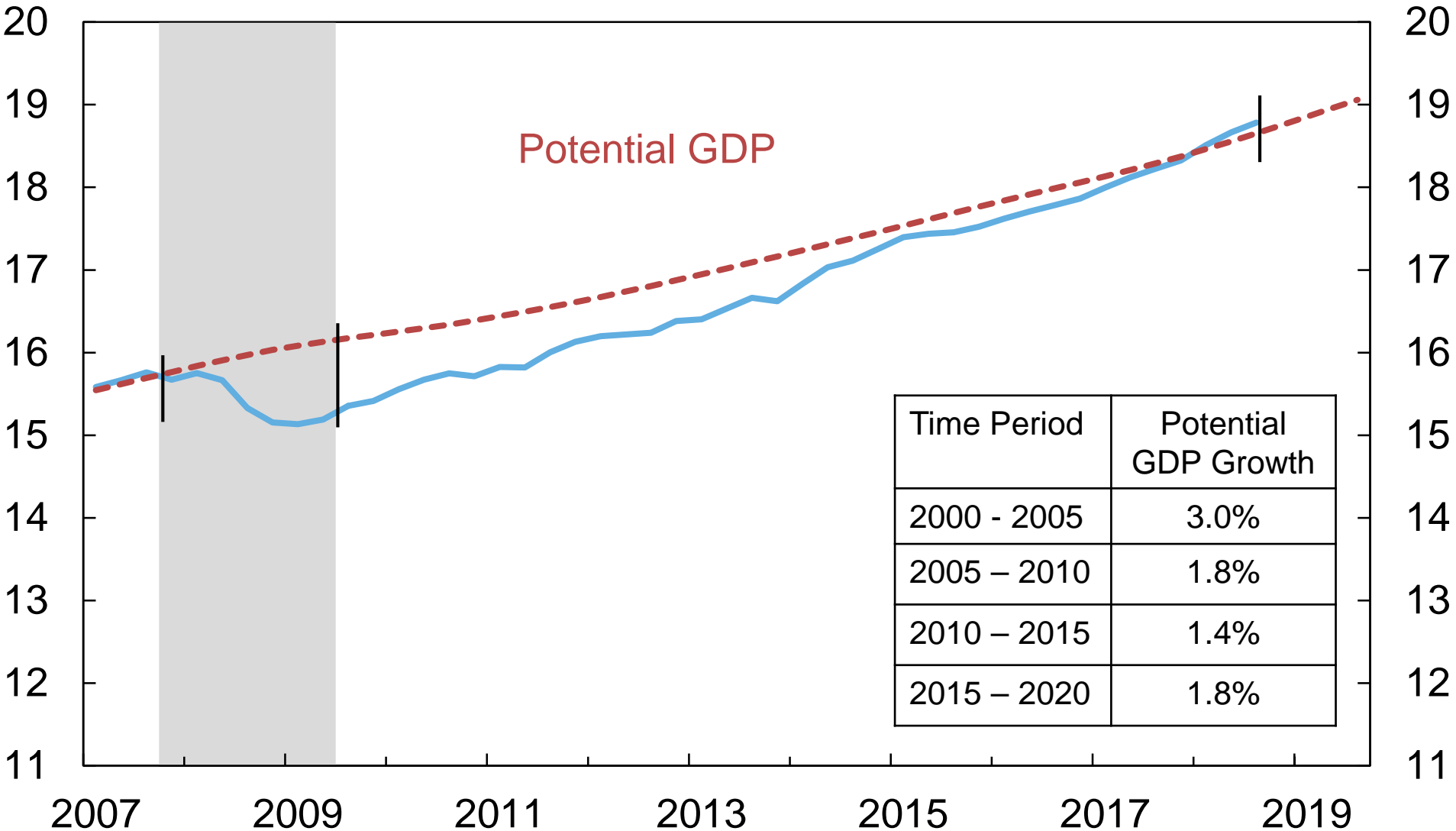
Source: Bureau of Economic Analysis via Haver Analytics

Note: Shading shows NBER recessions.

# GDP is above potential by some estimates

Trillions of 2012 US\$

Trillions of 2012 US\$



Source: Bureau of Economic Analysis,  
Congressional Budget Office via Haver Analytics

Note: Shading shows NBER recessions.



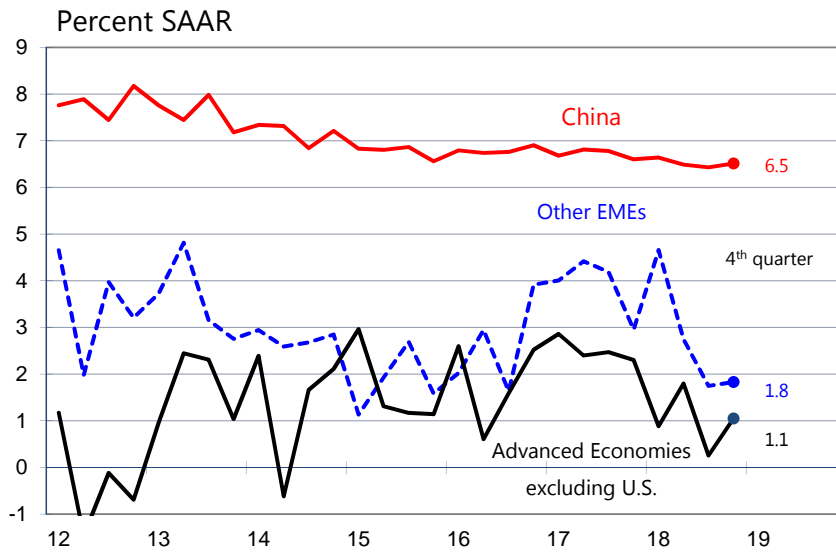
## Roadmap

---

- Update on the global economic and industrial cycle
- China's recent growth performance and long-term prospects

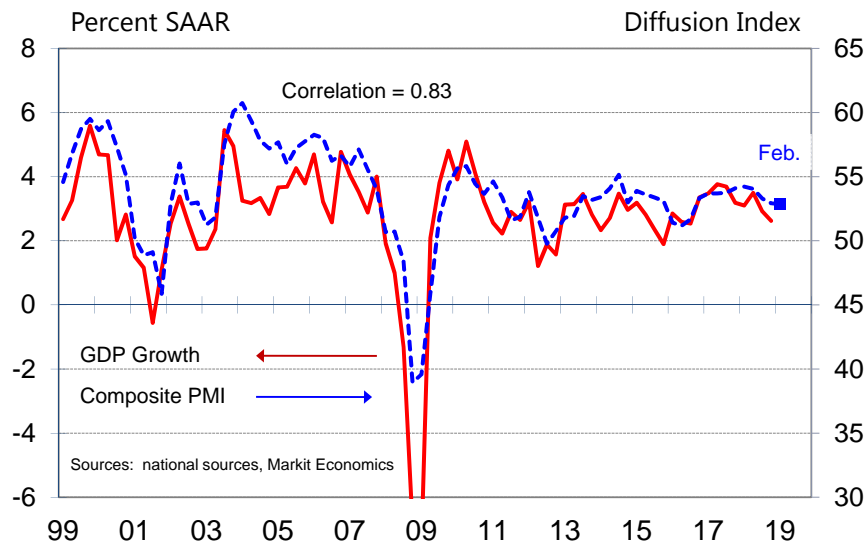


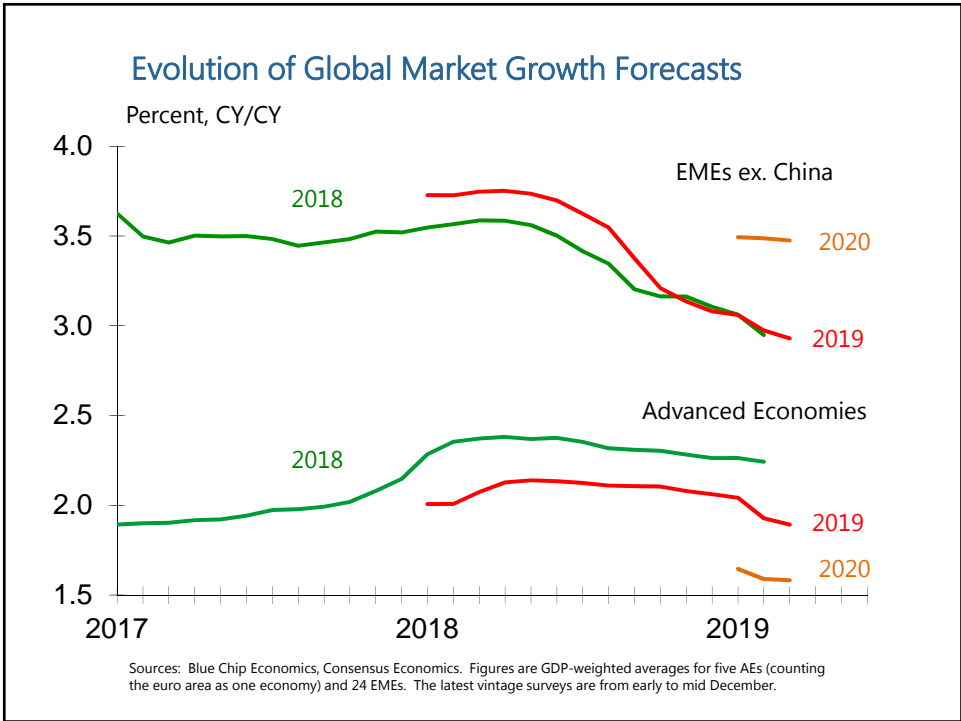
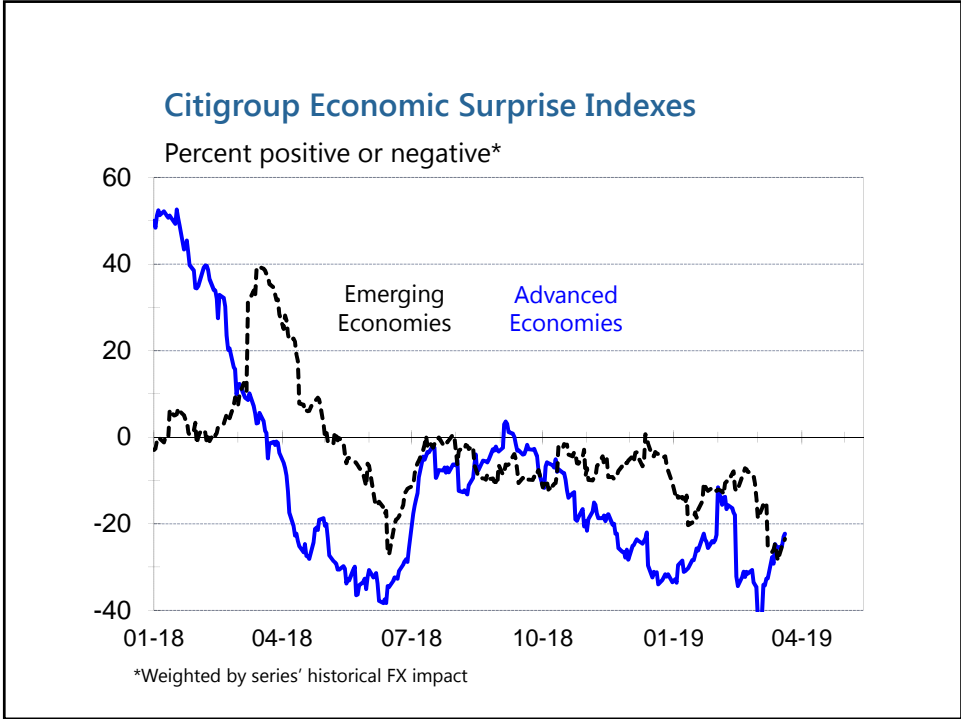
## Global GDP Growth



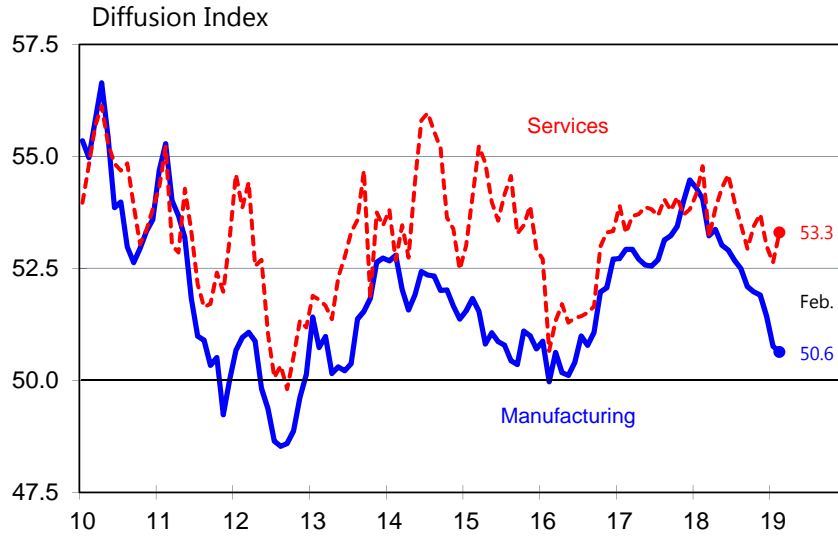
Sources: national sources, staff calculations. Q4 growth rates for some foreign economies reflect staff estimates.

## Global GDP Growth and Composite PMI



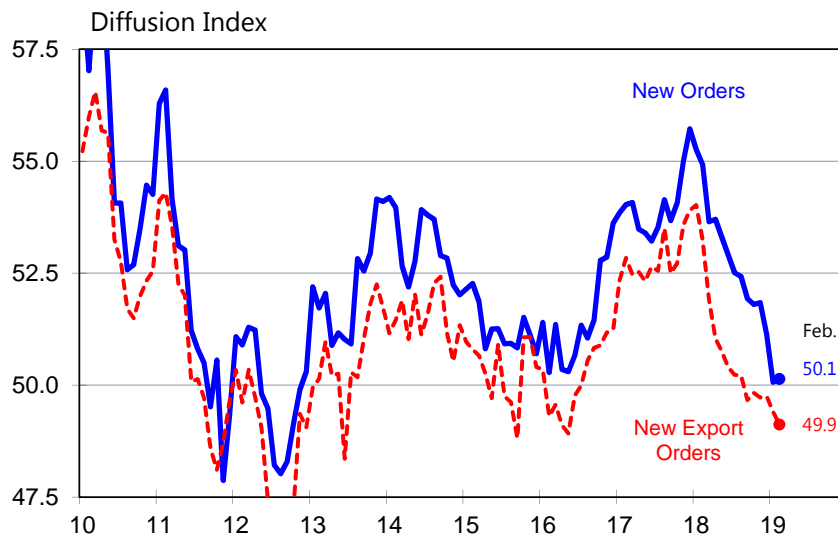


## Global Manufacturing and Services PMIs



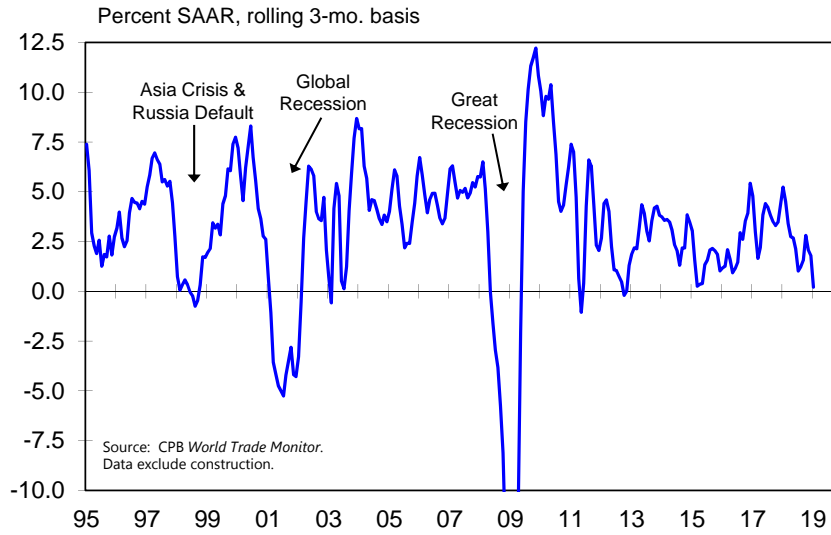
Source: Markit Economics.

## Manufacturing New Orders

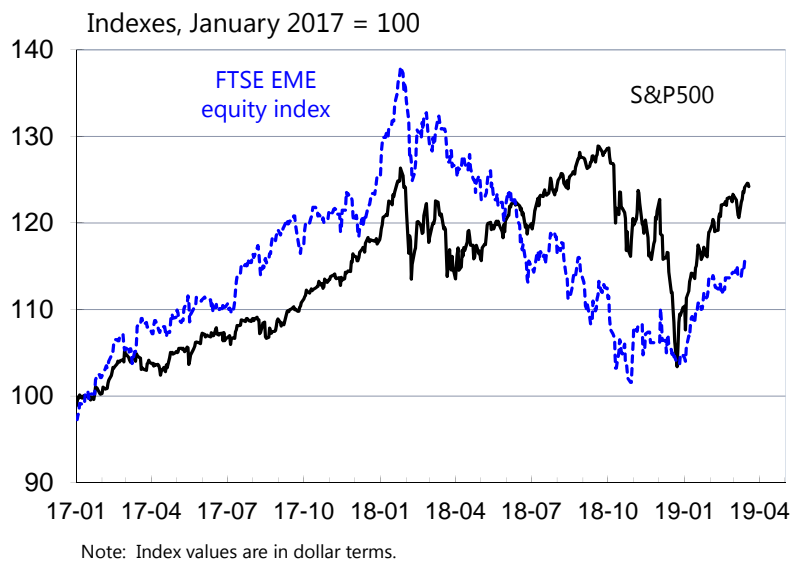


Source: Markit Economics, JPMorgan.

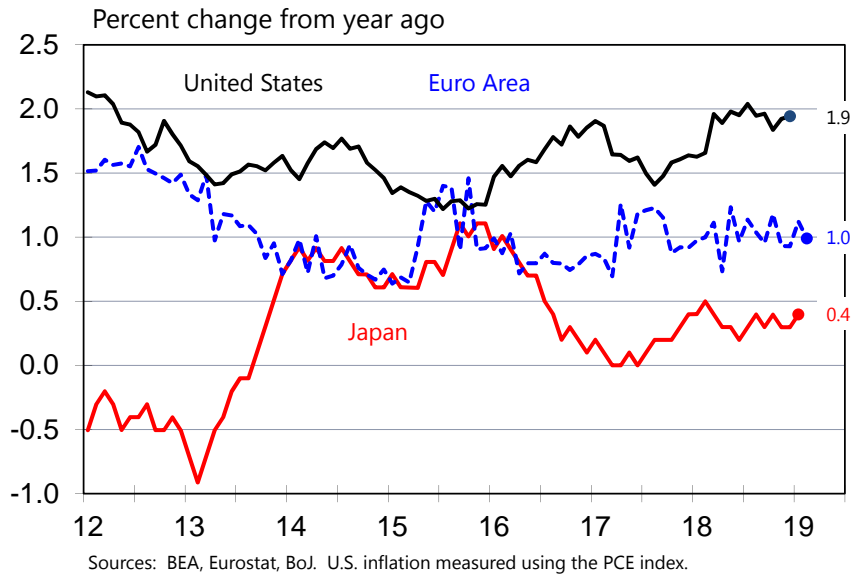
## Global Industrial Production Growth



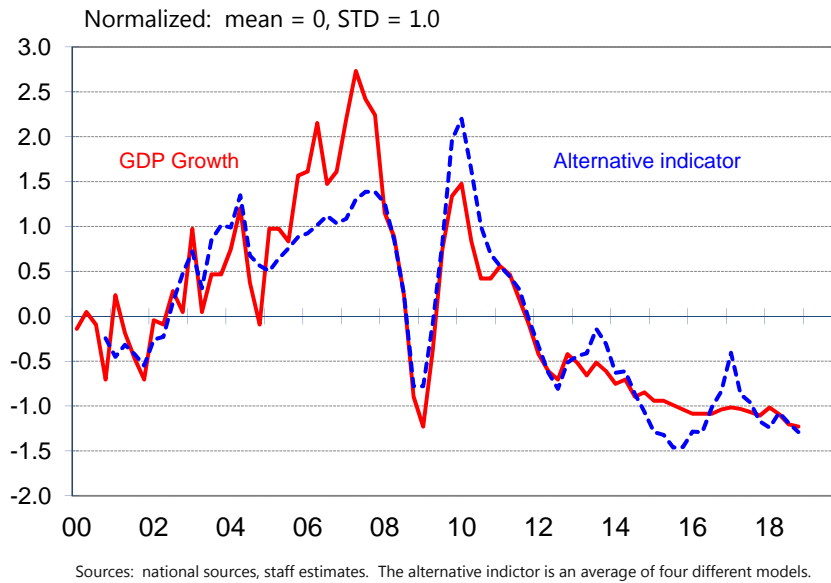
## U.S. and EME equity performance

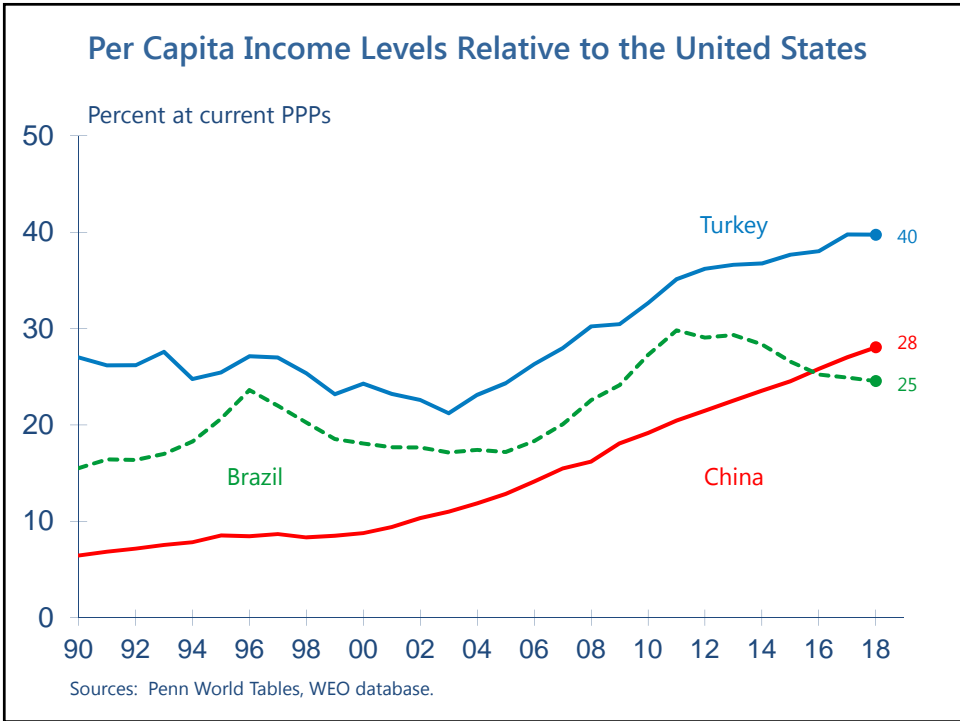
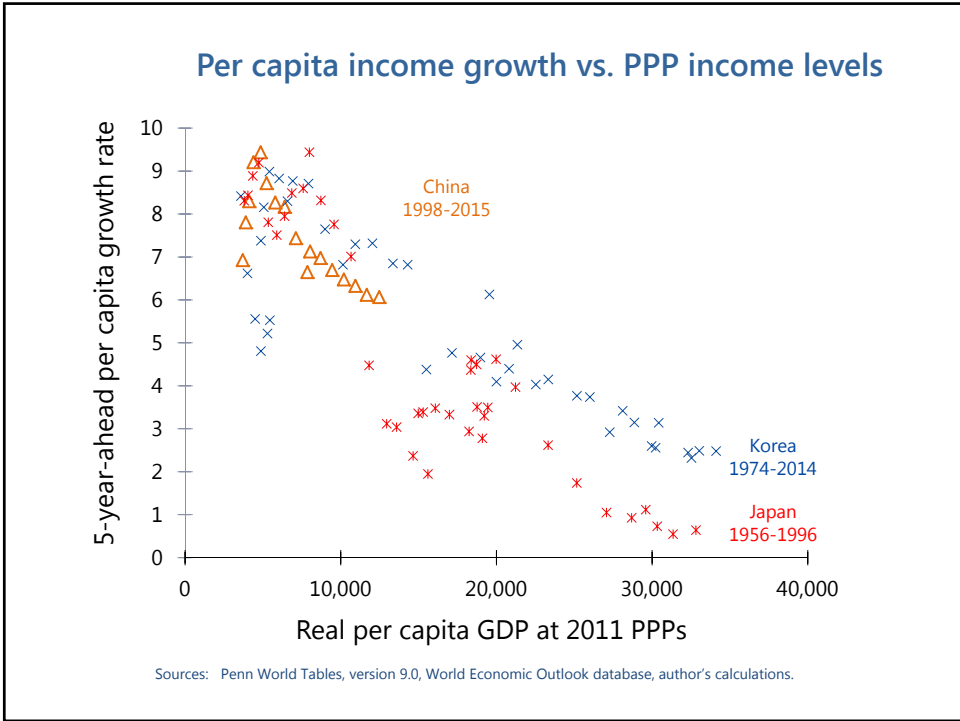


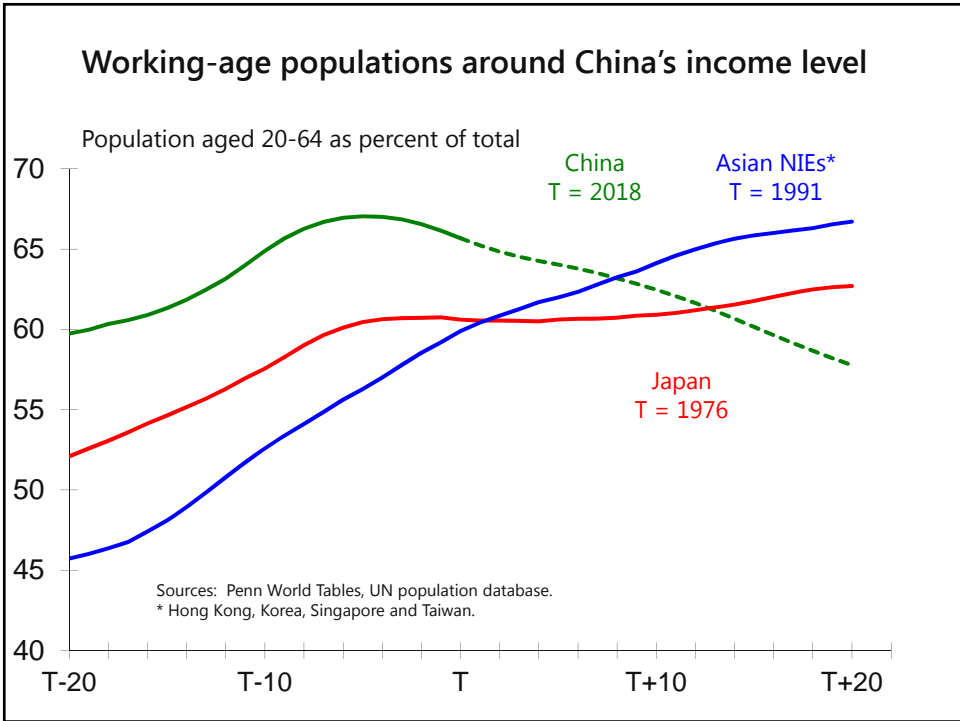
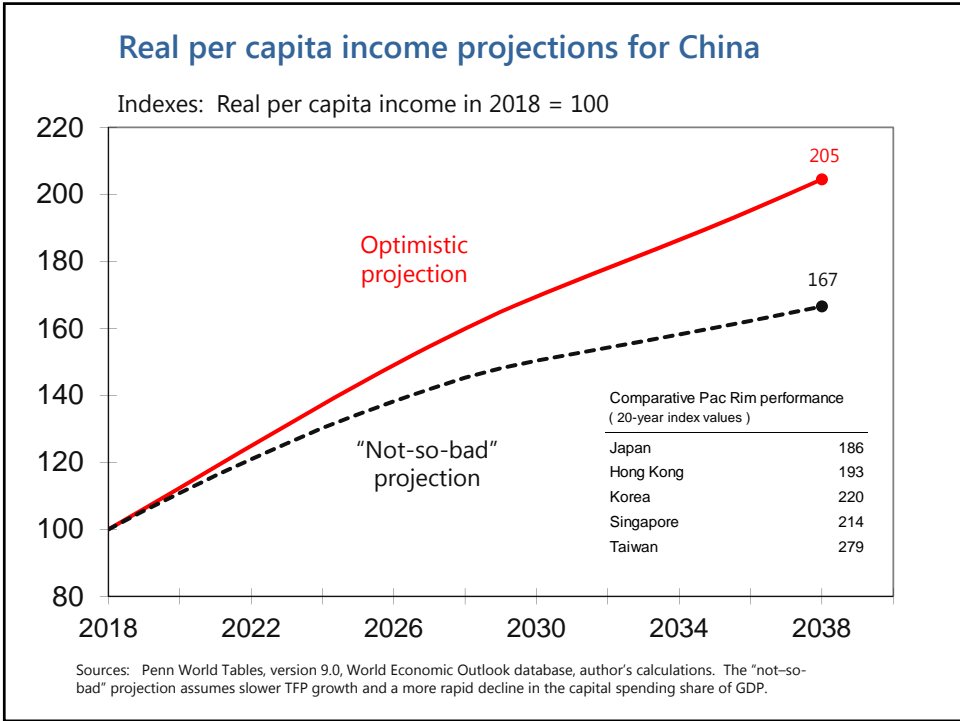
### G-3: Core Consumer Price Inflation



### Chinese GDP growth and alternative indicator









FEDERAL RESERVE BANK *of* NEW YORK

# Regional Economic Conditions

Jaison R. Abel

Advisory Council on Small Business and Agriculture Meeting – March 25, 2019

The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.



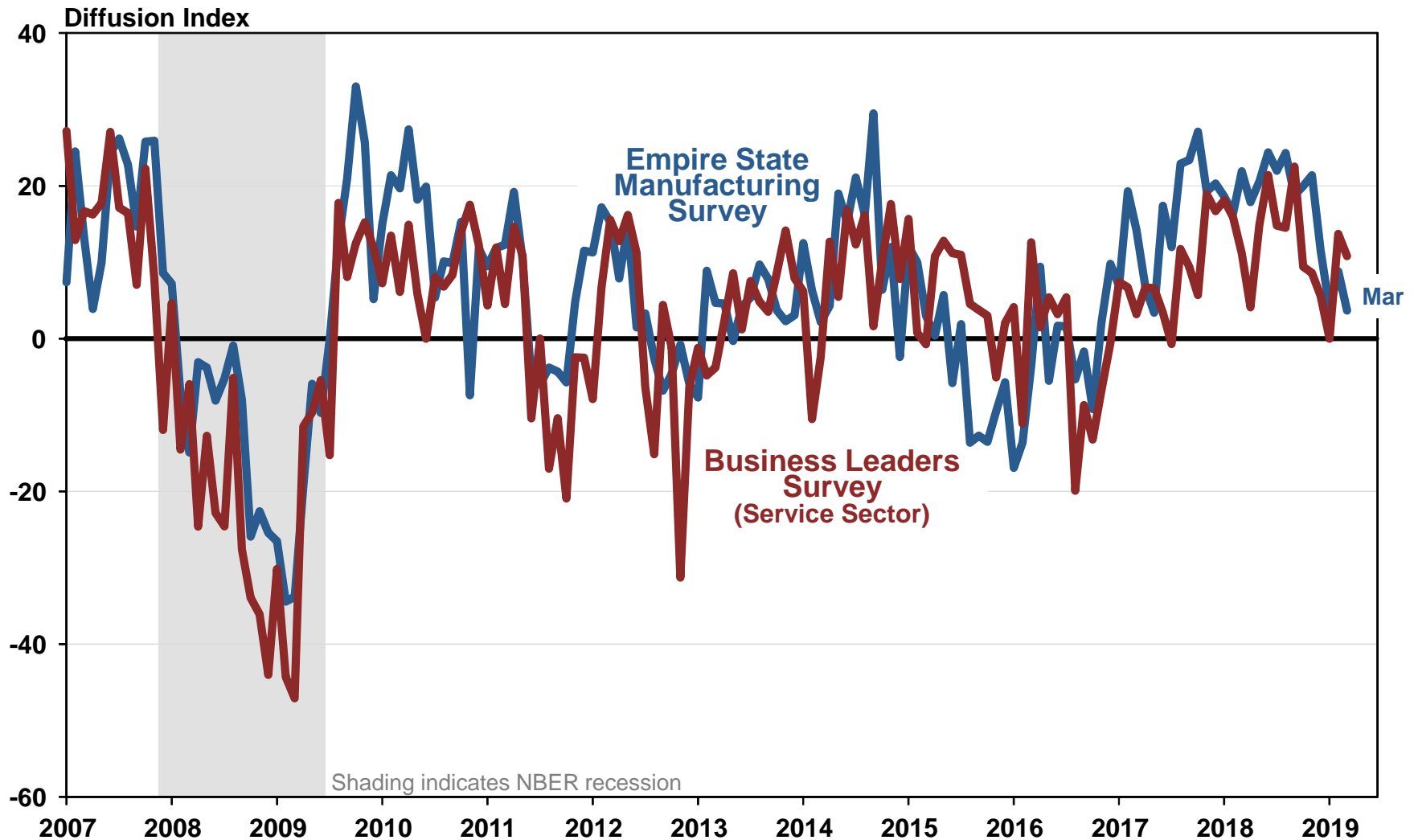
# Overview of Regional Conditions

- Business activity in the New York-Northern New Jersey region slowed in late 2018 and has remained subdued in early 2019.
- Despite modest job growth in much of the region, labor markets have become extremely tight. As a result, wage growth has picked up throughout the region.
- Private-sector employment in Puerto Rico is now above pre-storm levels, though overall job gains on the island continue to be weighed down by a weak public sector.
- Manufacturers in New York State report fairly significant effects on employment and compensation from the recent increase in the minimum wage, while service firms report more limited effects.



# Current Economic Conditions

## FRBNY Regional Business Surveys

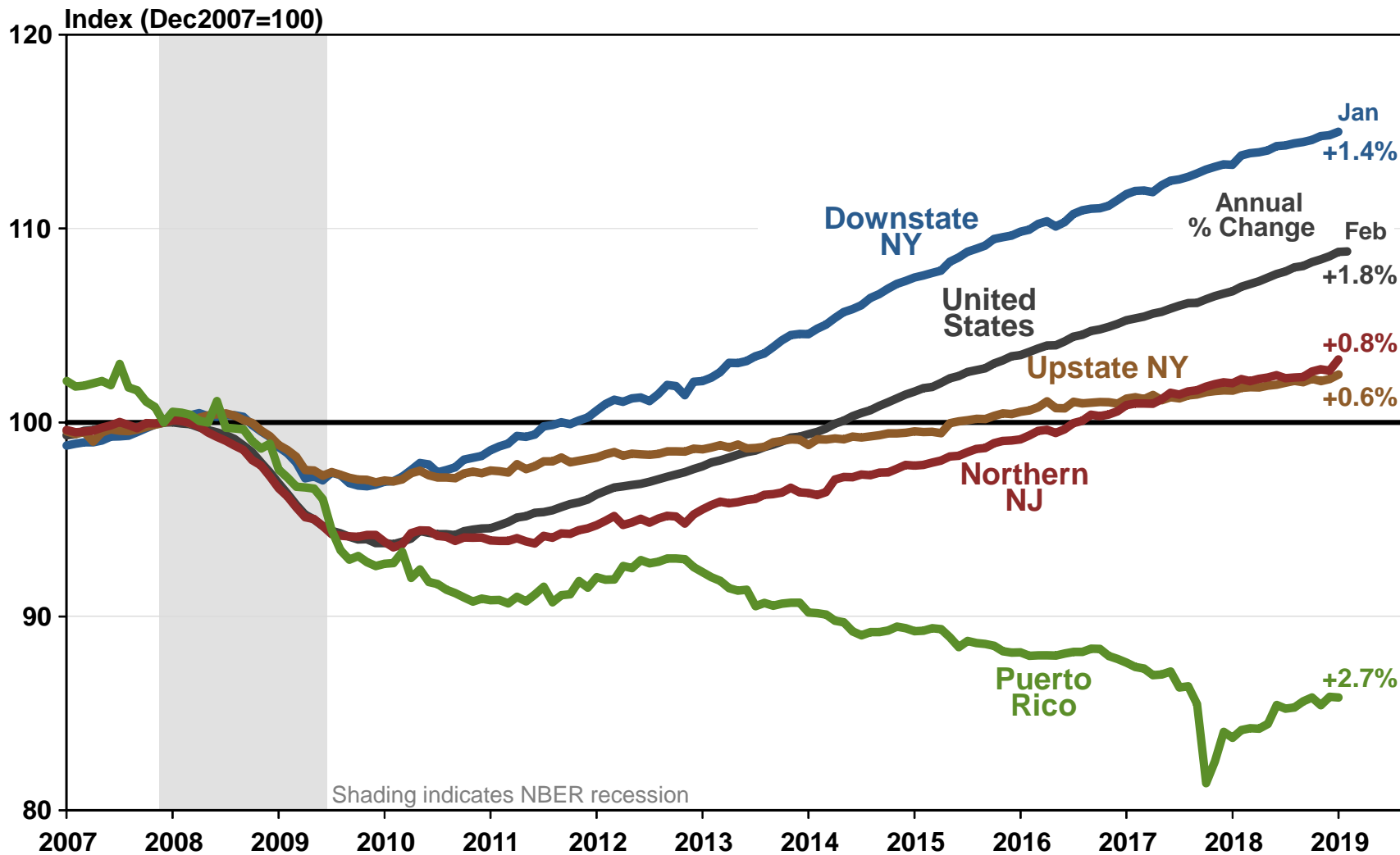


Shading indicates NBER recession

Mar

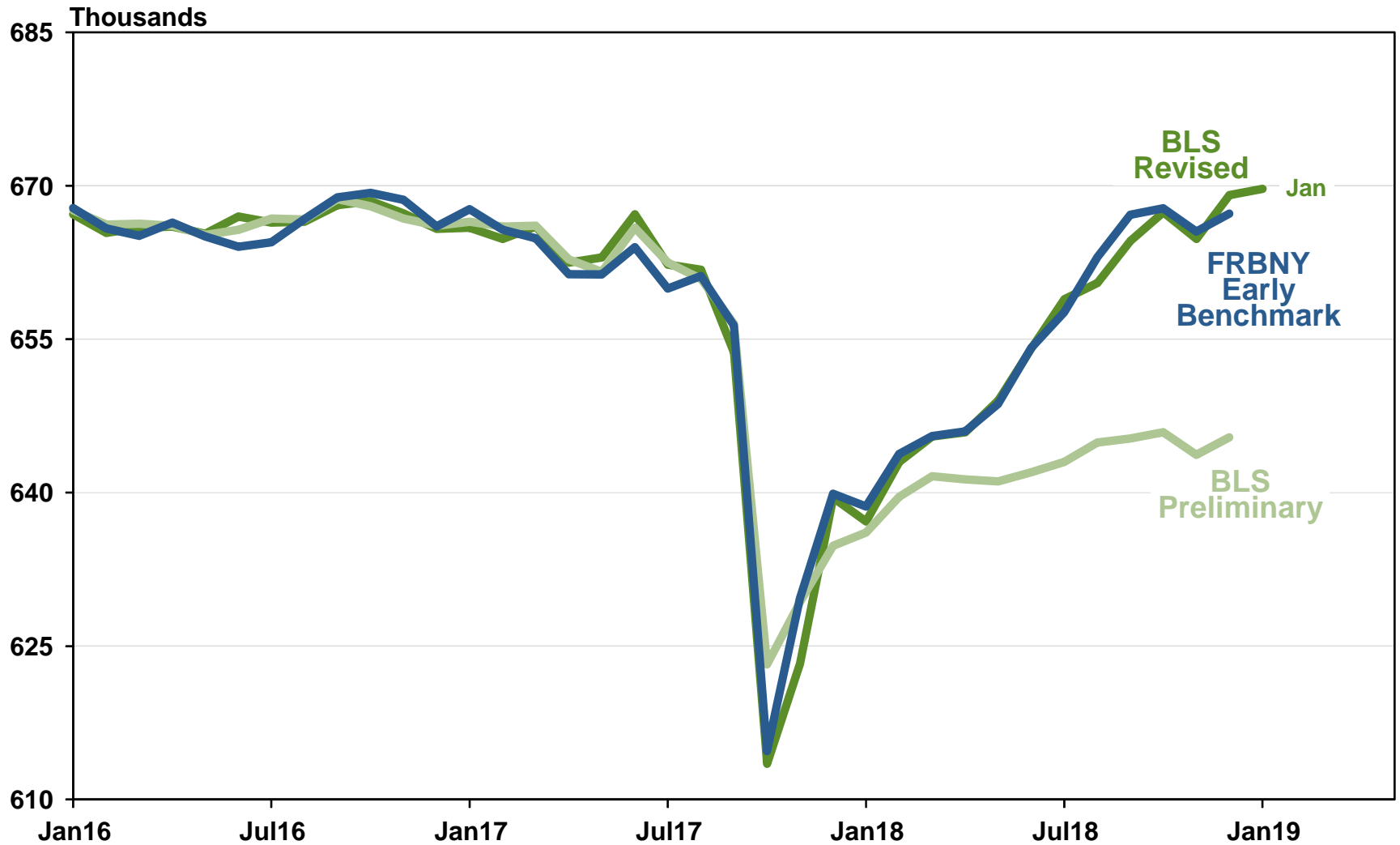
# Regional Employment Trends

Indexes of Total Employment, Seasonally Adjusted



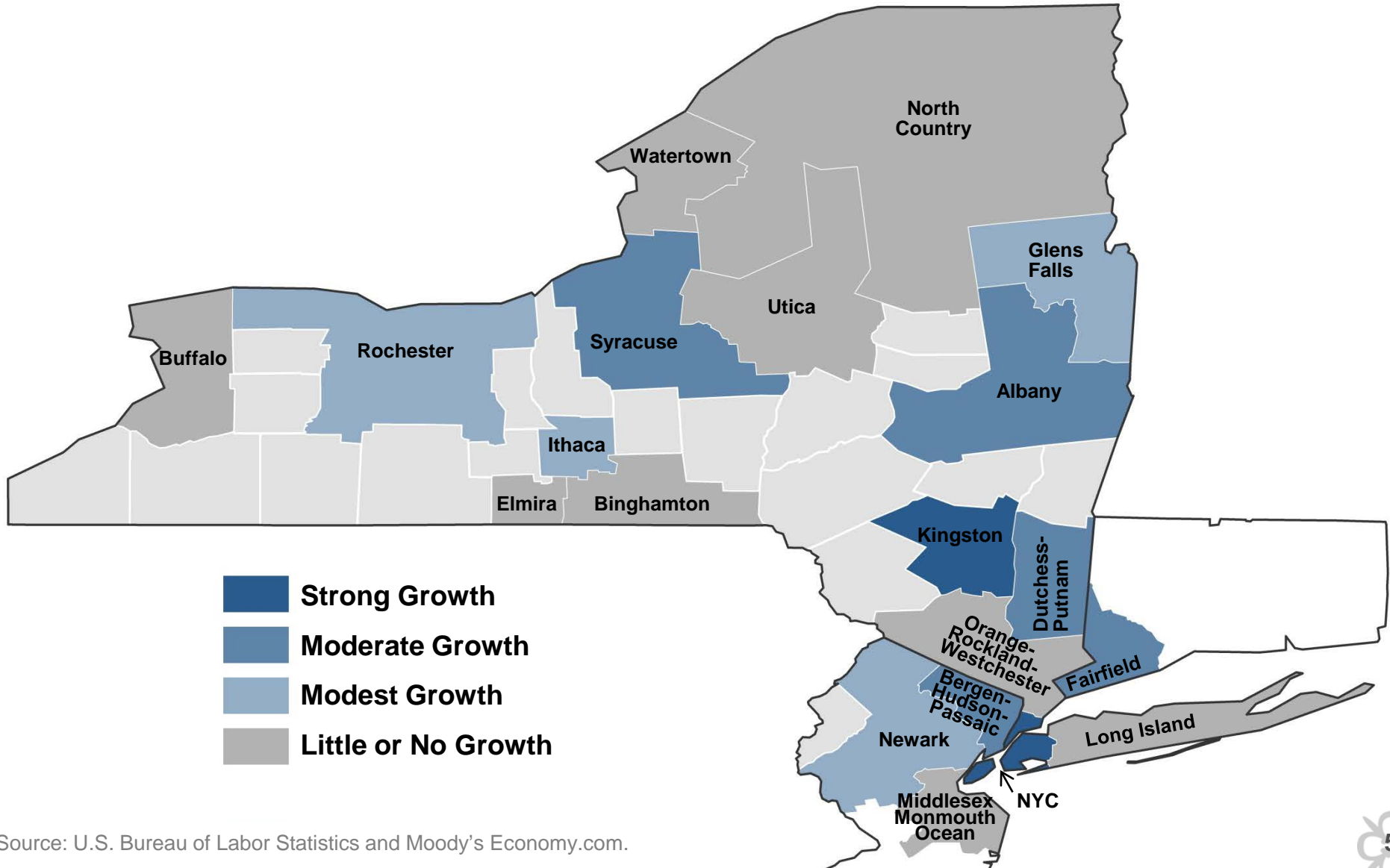
# Private-Sector Jobs in Puerto Rico

## Preliminary vs Revised Estimates



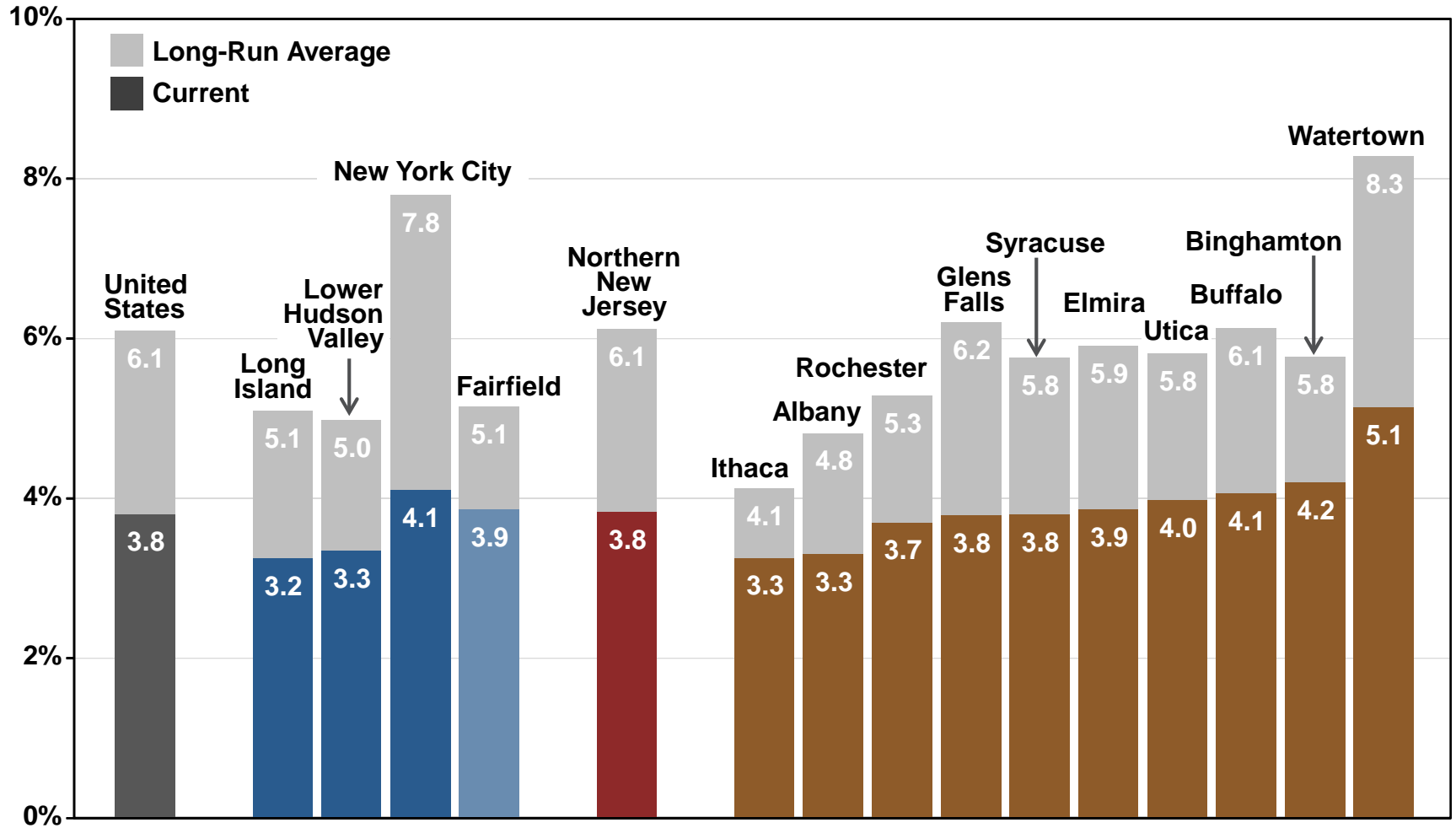
# Recent Job Growth in the NY-NNJ Region

Annual Percent Change, 3-Month Average (Nov-Jan)



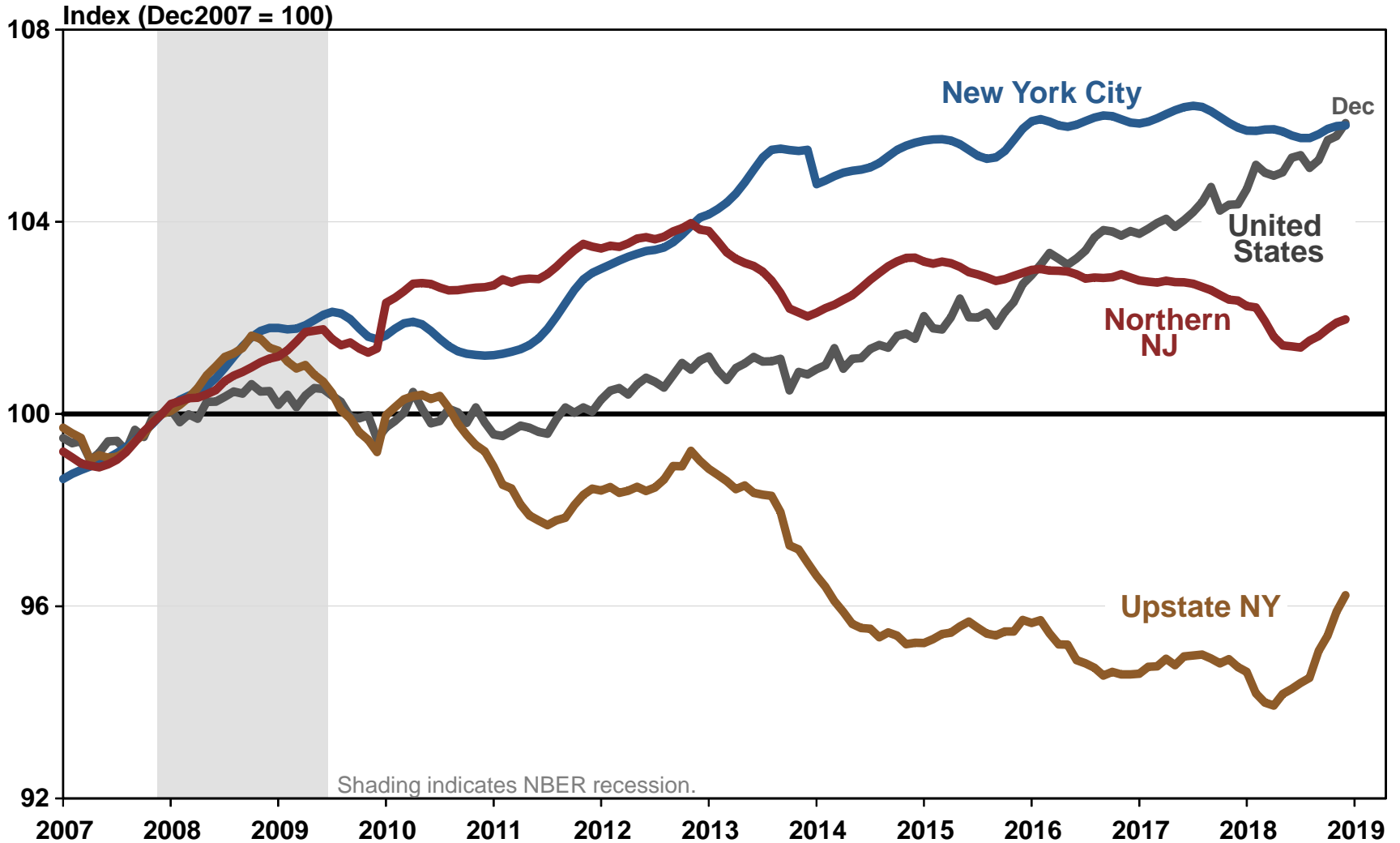
# Exceptionally Tight Labor Markets

Long-Run and Current Unemployment Rates, Seasonally Adjusted



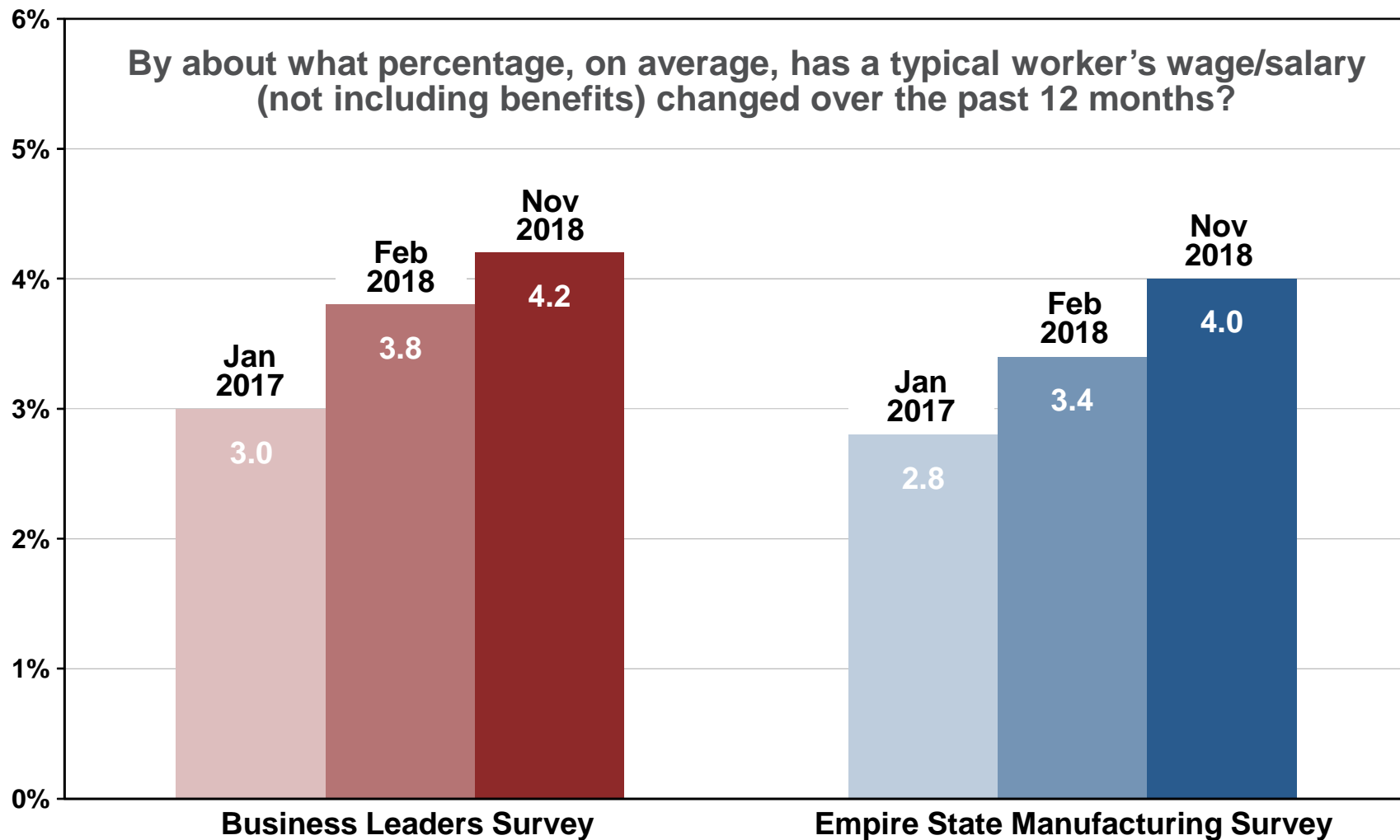
# Regional Labor Force Trends

Indexes of Total Labor Force, Seasonally Adjusted



# Wage Growth Has Picked Up in the Region

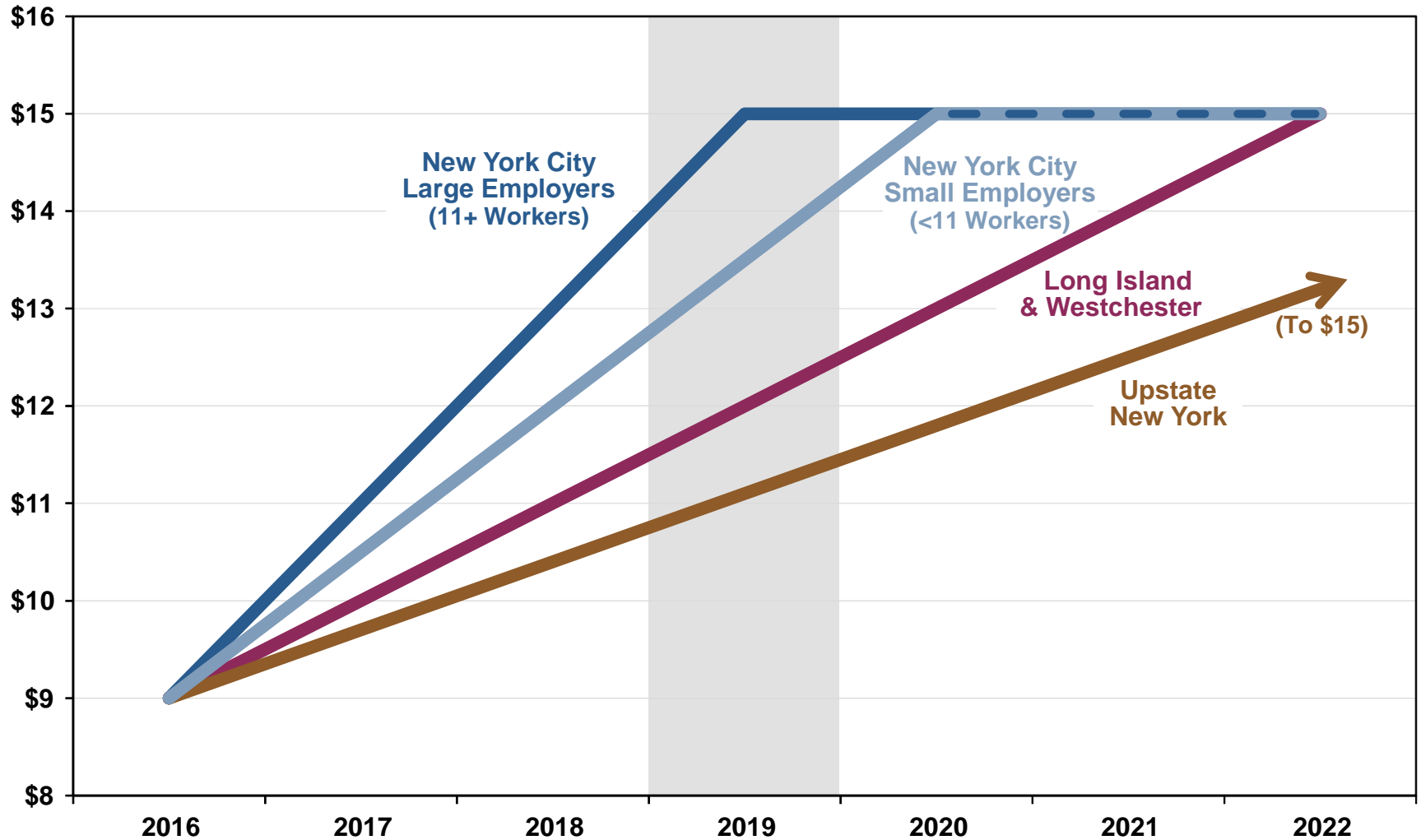
## FRBNY Supplemental Survey





# Increase in NYS Minimum Wage

2017 Through 2022



# Effects of NYS Minimum Wage Increase

FRBNY Supplemental Survey Report, February 2019

**Q:** *Has the increase in the minimum wage, effective January 1, 2019, had any effect on your business's decisions about compensation and/or employment?*

